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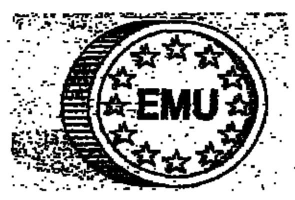

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Separate sections

World Business Newspaper THURSDAY APRIL 27 1995 D8523A

Philips more than doubles profits as sales grow by 13%

Dutch electronics group Philips said net profit before extraordinary items more than doubled to Fl 544m ($351m) in the first quarter of 1995 from Fl 260m, easily exceeding most analysts' forecasts. The company also reported an extraordinary gain of Fl 200m, due mainly to the flotation of a minority stake in ASM Lithography, its Dutch-based chip-wafer subsidiary. This boosted total net profit to Fl 744m. Sales grew by 13 per cent and group turnover rose by 7 per cent. Page 15

IMF looking to avert financial crises: International Monetary Fund member countries are moving towards agreement on improved early warning systems to head off future Mexican-style financial crises. Page 14; Ministers urge action, Page 4; Editorial Comment, Page 13; Currencies, Page 25

Chrysler's shares fall: Shares in Chrysler, the US car manufacturer, fell $2¾ to $41⅞ in early trading as the market concluded that a $55-a-share buy-out proposal by investor Kirk Kerkorian was virtually dead. Page 15

US Supreme Court rejects gun ban: The US Supreme Court struck down a federal law banning possession of a gun within 1,000 feet of a school on the grounds that it went beyond the area in which the constitution gave Congress the authority to legislate. Page 7

Key Japanese cult member arrested: Japanese police arrested a key figure in the religious cult being investigated over gas attacks on the Tokyo subway system, NHK Television in Japan reported. It said chemical expert Masami Tsuchiya and six other cult members were being held. Page 6

Lloyd's of London could face curbs on its US business unless it resolves a dispute with New York insurance regulators over its finances. Page 14

Euthanasia doctor escapes punishment: A court in Alkmaar in the Netherlands found a doctor who ended the life of a severely handicapped baby guilty of murder, but decided not to punish him. Dr Henk Prins gave a fatal injection to the child in consultation with her parents and other doctors.

SKB Banka, the largest private bank in Slovenia, has launched eastern Europe's first hostile bid for a bank – an offer for Gorenjska Banka, the country's fifth largest by assets. Page 14

Singapore requests Leeson's extradition:

Singapore officials handed over a formal extradition request for former Barings Bank trader Nick Leeson (left), blamed with causing the collapse of the British bank. The German Foreign Ministry said the request came ahead of a deadline set for next Tuesday, two months after Mr Leeson was detained at Frankfurt airport.

Brussels to protect car distribution: The European Commission voted to allow Europe's car industry to maintain a protected system of vehicle distribution, in spite of criticism from consumer groups who say the system inflates prices by between 10 and 15 per cent. Page 3

Imelda Marcos set for election win: Former Philippines first lady Imelda Marcos looks set to win a seat in the country's House of Representatives on May 8, according to opinion polls. Page 6

Russian signs Iraq oil deal: Russia has signed an agreement to help develop Iraq's oil and gas fields, securing a strong position in the scramble for business expected to follow any relaxation of United Nations sanctions. Page 4

Tajikistan ceasefire extended: The warring sides in Tajikistan agreed to extend a ceasefire until May 26 and agreed on another round of talks four days before it expires, Interfax news agency said.

Suspected war criminal pleads innocence: Dusan Tadic, the first suspected war criminal to be brought before the United Nations-sponsored Yugoslav War Crimes Tribunal in The Hague, pleaded not guilty during a short pre-trial hearing. Mr Tadic is accused of murdering Bosnian Moslem prisoners at a camp in Bosnia. Page 2

Churchill papers bought for $23m: Historic speeches and papers of former British prime minister Sir Winston Churchill have been bought for the nation for £14.25m ($23m) after a £13.25m grant from the national lottery heritage fund. Page 9

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,298.14	(-1.03)
NASDAQ Composite	834.15	(+2.87)
Europe and Far East		
CAC40	1,942.32	(-3.61)
DAX	2,029.53	(+22.54)
FT-SE 100	3,226.2	(+11.3)
Nikkei	16,826.4	(-84.05)

■ US LUNCHTIME RATES

Federal Funds	$6\frac{1}{8}$%
3-mth Treas Bills: Yld	5.836%
Long Bond	$109\frac{15}{32}$
Yield	7.33%

■ OTHER RATES

UK: 3-mo interbank	7%	($6\frac{15}{16}$%)
UK: 10 yr Gilt	101	($100\frac{1}{16}$)
France: 10 yr OAT	98.05	(97.80)
Germany: 10 yr Bund	102.18	(101.99)
Japan: 10 yr JGB	109.06	(108.849)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$18.65	(18.76)

■ GOLD

New York: Comex		
June	$388.9	(392.3)
London:		
close	$388.6	(390.0)

■ DOLLAR

New York: lunchtime		
£	1.613	
DM	1.37385	
FFr	4.839	
SFr	1.138	
Y	83.675	
London:		
£	1.6108	(1.614)
DM	1.3871	(1.385)
FFr	4.885	(4.8448)
SFr	1.1407	(1.1276)
Y	84.125	(81.635)

■ STERLING

DM	2.2246	(2.2031)
Tokyo close:		Y 82.75

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (inland)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Brussels raids offices in newsprint producers' probe

By Our Foreign Staff

The European Commission yesterday announced that it had raided the offices of European newsprint producers and launched an investigation into an alleged price-fixing cartel.

The move follows complaints from European governments and from newspaper publishers reeling from a sharp rise in the price of newsprint, which accounts for about a quarter of newspaper production costs.

Since late last year the price of newsprint in Europe has increased by more than 30 per cent and producers are planning to raise prices further in July. Newsprint producers say prices have jumped because of increases in the costs of raw materials, especially pulp.

In Brussels, Mr Karel Van Miert, the competition commissioner, said: "We feel that in the light of the information received we should investigate what was going on . . . in a very short period of time there were price increases of about 20 per cent."

Mr Van Miert said 40 investigations had been carried out at the offices of newsprint producers throughout Europe. Among those companies which yesterday confirmed they had been visited by EC investigators this week were Norske Skog of Norway, SCA, Stora and MoDo of Sweden, KNP BT of the Netherlands, and Bridgewater Paper of the UK. Companies in Finland, France, Austria, Italy and Germany were also visited.

Ready answers ....Page 3
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The raids – carried out simultaneously by national competition authorities on Tuesday morning – mark the first stage in the often drawn-out process of cartel investigations. However, the commission has told the companies that it expects the investigation to last from 3 to 6 months.

Complaints are understood to have come from newspaper publishers in all member states, but most particularly from France where publishers buy their paper from a centralised co-operative. Mr Alain Ayache, a French newspaper and magazine publisher who has become increasingly concerned at the escalating price of paper, was one who complained to the EC. Mr Ayache, head of Groupe Alain Ayache, said last night: "This is good news for the press. Paper price increases have been catastrophic for the majority of journals."

He said he had decided to lodge a formal complaint in Brussels after the latest in a series of increases in paper prices last November. "When they all announced the same price rise and said there was no surplus stock, I understood that there was a cartel," he said.

Mr Van Miert also said that some European governments had drawn the EC's attention to the sharp rise in newsprint prices.

Newsprint producers denied allegations of price-fixing. Mr Kevin Lyden, chief executive of the UK newsprint manufacturer Shotton, said EC investigators had visited the company's sales agents in the UK. He said it was ridiculous to accuse paper producers of colluding to raise prices. "I'm sold out for the year, so what on earth would I want to be curtailing production for?"

Mr Mats Aguren, information director at Stora, said: "Demand is very strong at the moment and that is why prices are rising."

EMS 'faces threat of collapse'

Mercedes chief calls for action to stabilise EU single market

By Christopher Parkes in Stuttgart

Unpredictable exchange rate fluctuations are threatening the European single market with disintegration, Mr Helmut Werner, president of the Mercedes-Benz automotive group, has warned.

Yesterday, he appealed for political action to restore cohesion and the introduction of a single European currency to stabilise industry's cost and price structure.

Mercedes could cope with disruptions associated with the enfeebled US dollar by applying "industrial solutions" such as moving more production to north America, but the situation in Europe was much more difficult, he told a press conference.

Politicians talked up the benefits of the single market, while the European Monetary System stood in danger of total collapse, Mr Werner claimed.

As for dealing with the dollar, which accounted for 14 per cent of car sales revenues, the company was reluctant to rely on costly hedging for protection, and intended to adjust procurement and production policies to operate with a better mix of soft and hard currencies.

The proportion of foreign components in Mercedes products would increase from 15 per cent now to 30 per cent in the foreseeable future, Mr Werner said.

At present rates German products could no longer be sold profitably in north America: Mercedes needed DM1.60 to the dollar to make a profit, compared with a current rate of about DM1.37. If the weakness of the US currency turned out to be a long-term problem, the company would expand its production in America and look at other opportunities in the Asian countries with dollar-linked currencies.

For the immediate future, Mr Werner said he hoped to turn in a 1995 profit to match last year's DM2.7bn ($2bn) pre-tax on a forecast increase in turnover to DM73bn from DM70.7bn. However, volume sales of cars were likely to fall to 585,000 compared with 592,000 in 1994. Deliveries of commercial vehicles were expected to reach a record of more than 300,000 after 290,354 in 1994.

Turnover had increased almost 8 per cent to DM17bn in the first quarter, with above-average rises in Latin America and the far east. Car deliveries were 6 per cent higher and commercial vehicle sales were up 18 per cent. However, these figures compare with a particularly weak first three months in 1994, and, as Mr Werner pointed out, final car sales data are already being affected by the "expiry" effect as deliveries of the old E-Class range tail-off before the start of the phased introduction of its replacement in June.

Mr Werner's conservative forecasts for the year matched the tone adopted recently by Mr Edzard Reuter, chairman of Daimler-Benz, the Mercedes parent. Mr Werner also reacted calmly on the recent engineering industry pay award which added 10 per cent to hourly wage costs. "There is little sense in complaining now," he said, but stressed that ways would have to be found to absorb the extra cost.

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The company would need to be compensated for the extra pay costs by more flexible working practices and possible cuts in social and other company-funded benefits.

The company had reduced costs by DM4bn last year and there was still potential for saving a further 45 per cent of total manufacturing, materials and administration costs, Mr Werner claimed.

Mercedes-Benz president Helmut Werner (above) at a news conference in Stuttgart yesterday when he warned of the effects of severe exchange rate fluctuations. He said he hoped the group would produce a 1995 profit to match last year's DM2.7bn ($2bn) pre-tax figure. He expected the group's volume sales of cars to drop slightly compared with 1994. Picture: Associated Press

Brazil to sell assets of state electricity generator

By Angus Foster in Brasilia

Brazil has decided in principle to sell the generating assets of Eletrobrás, the holding company for much of the country's electricity industry, in one of the developing world's most ambitious electricity privatisations.

The country's privatisation council has launched a 60-day study to assess how the sale should proceed. But the size of the disposals, involving net assets estimated at more than $50bn, and the complicated regulatory issues involved, suggest the sell-off may not be completed this century.

Eletrobrás is likely to be split into two companies. The first, which will not be privatised, will hold Brazil's nuclear programme and a 50 per cent stake in the giant Itaipu hydroelectric dam, half-owned by Paraguay. These cannot be sold because of constitutional restrictions. Eletrobrás's transmission network and regulatory and research functions will also remain under government ownership.

This will free Eletrobrás's four main generators – Eletrosul, Eletronorte, Chesf and Furnas – for sale. These, plus two smaller distributors, account for nearly half Brazil's electricity system. Eletrobrás's sales this year are forecast

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Heseltine tells UK companies to win business in Europe

By Michael Cassell, Business Correspondent, in London

Mr Michael Heseltine yesterday urged UK companies to stop complaining about the problems of winning business in Europe and to work constructively to exploit what was now their home market.

The UK trade and industry secretary's remarks were addressed to the annual convention in London of the Institute of Directors, which has become increasingly critical of areas of EU policy. Mr Heseltine has repeatedly warned that continuing uncertainty among overseas investors over Britain's relationship with the rest of Europe could undermine its future prosperity.

But Lord Young, the IoD president and a former Conservative trade and industry secretary, told companies to raise their sights beyond Europe to higher-growth economies further afield. Europe, he suggested in a speech which attacked the EU social chapter and plans for a single currency, was not the "be-all and end-all of our existence".

Mr Heseltine, one of the cabinet's most enthusiastic pro-Europeans, did not tackle head-on the divisions within the business community and at Westminster over political development within the EU.

He confined his comments on Europe to the need for a "level battlefield" on which British business could fight for orders, and pledged government support in co-operating with industry to identify and remove remaining barriers to competition. He emphasised that EU member states accounted for nearly 60 per cent of UK exports of goods and that Europe provided the base from which to attack the fast-growing markets of Asia.

Mr Heseltine called on delegates to inform the Department of Trade and Industry's single market compliance unit if their companies encountered problems trying to compete in European markets. He added: "We need to work constructively in Europe. No one wins by simply whingeing."

Lord Young, who is also chairman of Cable and Wireless, claimed there was a world market for British companies which was "far more dynamic and far more interesting" than that within the EU.

"If our partners in Europe are going to continue to burden themselves with all the additional costs of the social chapter, then there is a real chance that the 'local market' will not be interesting for years to come."

He added: "Look at the countries where growth is measured in double digits, where the middle classes are exploding in number, where a great hunger is developing for quality goods that we make so well – and for the services at which we excel."

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NEWS: EUROPE

High-rise EMI fixes its gaze on the horizon

Andrew Fisher gets in at the ground floor of 'Europa Bank'

It may be only a European central bank in embryo but some people already think of it as the real thing. Frankfurt taxi drivers talk of the "Europa Bank" when asked to take people to the European Monetary Institute, forerunner to the ECB. In the villages of the nearby Taunus hills, estate agents advertise for accommodation for "European central bank" employees.

Yet the EMI is not a central bank and may never become one. European monetary union is by no means a foregone conclusion, in spite of the ambitions enshrined in the Maastricht treaty. Many political questions still have to be answered and the right economic preconditions have to be established.

The institute's job is to lay the basis for the ECB and monitor progress toward meeting the treaty's tough Emu convergence and entry criteria. As its first annual report made clear before Easter, there is still far to go. Most countries do not yet fulfil the criteria on budget deficits and indebtedness. German politicians and Bundesbank officials inveigh constantly against suggestions the criteria should be relaxed.

Thus, Emu is highly unlikely to occur at the first possible date of 1997. But the EMI still has to be ready. Its 130 employees, due to reach 200 by the year's end, have to proceed on the basis that Emu will occur then or later. On the top 10 floors of a 36-storey skyscraper in the centre of Frankfurt, they are working painstakingly on future monetary and foreign exchange policy, a pan-European payments system, banknotes, banking supervision and the harmonisation of statistics.

Grand designs are being worked out inside the building, but this is hardly apparent from the outside. True, the EMI's name is on a nameplate in the 11 official languages of the European Union. But the entrance to the building, opposite a shoe shop and a computer store, is still flanked by scaffolding as renovation is completed, and the impression is anything but grand.

Nor is the institute the only occupant, its fellow tenants being German, Japanese and Chinese banks. Eschewing the excesses that brought scorn upon the London-based European Bank for Reconstruction and Development, the EMI has gone for self-effacement; there is no marble to be seen and decoration is in functional shades of grey.

Yet, although it is keeping a low profile, the EMI can make its voice heard when necessary. Mr Alexandre Lamfalussy, its energetic, personable president, makes speeches and gives interviews about its work and the need for EU members to adhere strictly to the convergence criteria.

He made no bones, at the press conference earlier this month on the institute's annual report, about the extent of the task facing the EMI and the 15 EU member states. "We must make absolutely sure, and without the slightest possible doubt, that the single European currency is as good and as stable as the D-Mark," he said. Chancellor Helmut Kohl used similar words in a television interview in which he also berated the US for its lax fiscal policies: "We will not bring a European money into being that does not have the stability of the D-Mark."

Ringing in the new: Mr Lamfalussy at this month's presentation of the EMI annual report AP

All this puts a heavy burden on the EMI, one of whose main tasks is to prepare for the ECB that will then put this ambitious aim into practice. "The European central bank will be independent at least to the same degree as the Bundesbank," added Mr Lamfalussy.

The scope and intensity of the work carried out by the EMI means meetings, meetings and more meetings. For every subject, there are committees and sub-committees of institute officials and representatives of the central banks.

Staff come from most EU countries, with Germany and Britain predominating. They are still coming to grips with their role and the EMI does not yet have the feel of a real institution. It was not helped by the political delay in deciding its location. It only moved into the building last November.

Since the institute needs experts, it has drawn heavily on the Union's central banks. These are the source of about half its staff, all of whom are on three-year contracts so as to allow a future ECB to make its own hiring decisions. Although the range of their activities is wide, the most controversial areas concern monetary policy and banknotes.

The institute has to decide how the ECB will co-operate with member central banks in the European system of central banks to be set up under Emu and how monetary policy will be managed. The Bundesbank wants money supply to be targeted as a reliable pre-inflation indicator. Other countries such as Britain want price stability to be targeted directly.

As for banknotes, the EMI is happy to leave the final design and naming to the politicians. But it is working on two options: a common design (the C option) for all notes used by Emu members; and a design that is common but with national features on one side (the CNF option). Will the notes have the amounts written in 11 languages? Like the tricky question of their name, that will be a decision for the politicians.

As an institute official points out, the former Austro-Hungarian empire had notes printed in nine languages. That might be a good precedent for currency design, but Emu's proponents must hope that a new monetary alliance will show more capacity for survival than the Habsburg empire.

EUROPEAN NEWS DIGEST

Polish monetary policy accord

Poland's finance ministry and independent central bank have reached a consensus on monetary policy which should lead next month to a revalued zloty and a possible base rate cut. Both moves would be aimed to counter inflationary pressures from the fast growth of foreign currency reserves.

Until now, the central bank has resisted lowering Poland's high base rates. It blamed inflation for a rise earlier this year in its key refinancing rate by 2 points to an annual 35 per cent. Inflation was running at 33 per cent in the first quarter against the same period last year, and the bank intends to await this month's figure before deciding on reducing interest rates, but appears to have recognised that its high interest rate policy is exacerbating the situation.

The deal gives the bank an important new policy instrument in the exchange rate mechanism which will enable it to intervene in the interbank foreign exchange market and set daily rates within a relatively wide band around a fixed mid-rate. *Christopher Bobinski, Warsaw*

Defendant denies war crimes

Mr Dusan Tadic, the first suspected war criminal to be brought before the United Nations-sponsored Yugoslav War Crimes Tribunal in The Hague, pleaded innocent yesterday during a short pre-trial hearing. The trial, expected to begin in the summer, will be the first of a war crimes suspect since the Tokyo and Nuremberg tribunals after the second world war.

Mr Tadic is accused of the mistreatment and murder of Bosnian Moslem prisoners at the Omarska camp in the Serb-controlled northwestern region of Bosnia. Of the 22 people indicted so far for atrocities in the former Yugoslavia, Mr Tadic is the only one in custody, having been extradited from Germany on Monday. Earlier this week, the tribunal's chief prosecutor said he was opening an investigation into the Bosnian Serb leader, Mr Radovan Karadzic. *Ronald van de Krol, Amsterdam.*

■ Russian officials said yesterday that Moscow would consider withdrawing its peacekeepers from Bosnia if a truce due to expire at the end of the month was not extended. The warning comes in the wake of similar statements from France last week. Russia's chief negotiator in the former Yugoslavia told the Interfax news agency that failure to renew the ceasefire "could create unbearable conditions for the UN peacekeepers". *Chrystia Freeland, Moscow*

Brussels seeks toxic waste curb

The European Commission yesterday proposed a ban on all toxic waste exports to developing countries by 1998 at the latest. The EU already bans such exports intended for final disposal in countries outside the 25-nation Organisation for Economic Co-operation and Development but allows exports intended for recycling. Environmentalists allege companies avoid the ban by relabelling waste. *Reuter, Brussels*

Dublin rescues aircraft concern

Dublin has agreed an I£12m (£11.7m) rescue for ailing Shannon Aerospace, the aircraft maintenance operation set up in 1992 by Lufthansa, Swissair and Guinness Peat Aviation GPA. The two-year deal will secure the company's 650 jobs, said Mr Richard Bruton, enterprise and employment minister.

The government cash grant will be matched by GPA which will also sell its 30 per cent share. Lufthansa and Swissair, each with 35 per cent of the company, will not provide new equity but will provide it with extra work. Shannon Aerospace is reported to have lost more than I£9m last year, bringing accumulated losses to I£27m, and is projecting further losses in 1995 and 1996.

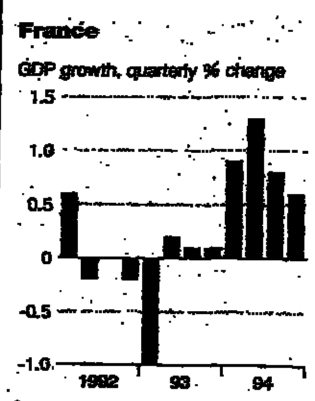
Mr Bruton said the package would allow the company to increase the workforce to 855 by the end of the decade. Opposition parties, however, thought it difficult to enforce without firmer guarantees from Lufthansa and Swissair. *John Murray Brown, Dublin*

Ankara bars Dutch deals

Turkey has placed the Netherlands on its "red list" of countries barred from bidding for defence contracts in retaliation for the Dutch refusal to ban the opening session in The Hague of a Kurdish parliament-in-exile two weeks ago. The Dutch government said the meeting broke no laws and ignored Turkish pleas for it to be prohibited. Turkey had already recalled its ambassador in protest. Ankara claims the 65-member parliament is a propaganda organisation for the Kurdistan Workers party, which has been fighting security forces in southeastern Turkey for the past 11 years. *John Barham, Istanbul*

ECONOMIC WATCH

French growth picks up



Source: Datastream

The French economy grew slightly faster than expected last year. Gross domestic product rose at least 2.6 per cent against a forecast 2.5 per cent, according to Insee, the national statistics institute. Insee publishes two sets of GDP figures, one annual and one quarterly. The former put GDP growth at 2.6 per cent compared with a decline of 1.4 per cent in 1993; the latter put the rise at 2.7 per cent after a fall of 1.5 per cent the previous year. The statistics confirmed, however, that growth slowed in the final quarter of last year, with GDP in the period expanding by 0.6 per cent compared with 0.8 per cent in the previous quarter. Insee attributed the recovery last year to a sharp fall in inventories and a 6.4 per cent rise in exports. Consumer spending and investment remained sluggish. *John Ridding, Paris*

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مكرر من الاصل

Ready answers to newsprint probe

Patrick Harverson, Emma Tucker and Bernard Simon on the rise and rise of prices

Few people in the paper industry are surprised that the European Commission has launched an investigation into the recent sharp rise in newsprint prices. Between last September and January, the price of newsprint in Europe rose from about DM700 (£320) a ton to DM950 a ton, and producers are expected to raise their prices at least another 20 per cent when contracts are renegotiated in July.

With such a rise in the cost of their main raw material, newspaper groups and other publishers are being hit hard.

Yet, when investigators arrived on their doorstep this week, the newsprint producers would have had a ready and plausible answer to the question of why prices have risen so sharply in such a short space of time.

First, the price of the raw materials which go into making newsprint has increased considerably in the past year. Mr Jeffery Bartlett, director general of the British Paper and Board Industry Federation, says: "The two main raw materials of newsprint are woodpulp and waste-paper, and the cost of woodpulp in the last 12 months has more than doubled, and the same thing has happened in waste-paper prices."

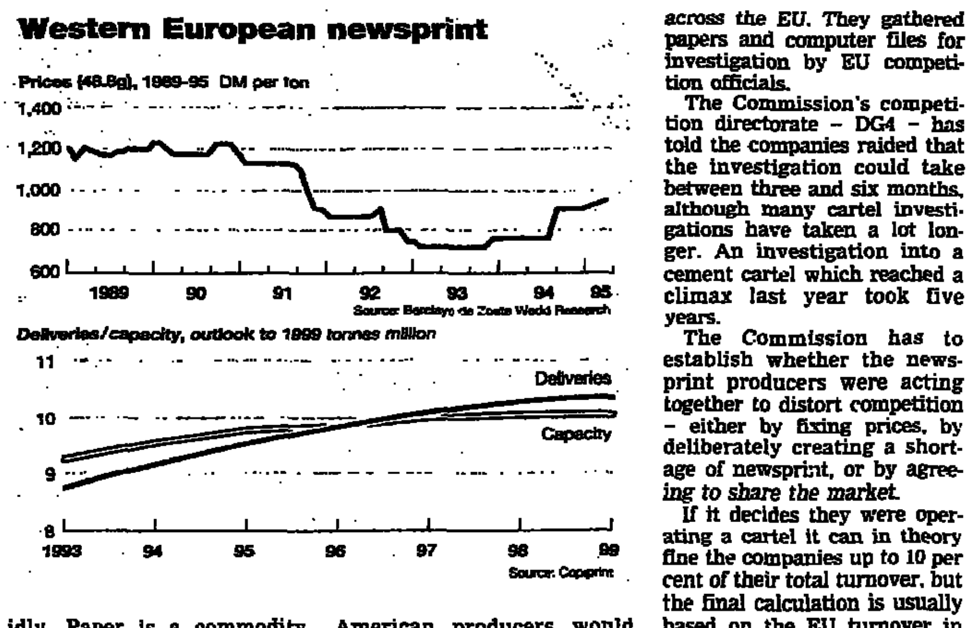
Second, the demand for newsprint over the past year has risen sharply, especially in the US where rapid economic growth has fuelled demand for paper. But after a prolonged recession in the industry, there has been insufficient production capacity to meet the rush of demand.

Mr Kevin Lyden, chief executive of the UK paper producer Shotton, says: "One and a half million tons of capacity was removed from the worldwide market during the recession. With the upturn in consumption in western Europe and North America, and the big boom in south-east Asia, there is just not enough paper to go around."

The shortage of newsprint is a global, rather than European, problem. In North America, newsprint producers are due to raise prices again on May 1, bringing the average transaction price to about $675 (£417) a ton, compared with a low of $420 a ton at the beginning of 1994.

The rising cost of raw materials has been even more pronounced than in Europe. Prices of northern bleached softwood kraft pulp, the industry benchmark, are due to rise to a record $925 a ton next month from $390 in mid-1993. As for waste, or recycled paper, three years ago North American municipalities paid recyclers to remove waste-paper. Today, old newspapers fetch as much as $140 a tonne in California.

Few observers of the paper industry believe that newsprint prices have risen because producers have colluded to suppress production. Mr Mark Diverio, analyst at UBS Securities in New York, dismissed suggestions of price fixing among producers. "We seem to get these types of investigation every time prices go up rapidly. Paper is a commodity business. It functions by supply and demand, pure and simple."



Ms Sonia Falaschi, paper analyst at UBS, agreed. "It is most unlikely that there's been a cartel because newsprint can be shipped all around the world – if you can buy it cheaper in America [than in Europe], you do."

Even the consumers of newsprint are not convinced of the collusion argument. The newsprint buyer at one of North America's biggest newspaper publishers acknowledged that newsprint has traditionally been subject to wide price swings and that the 35 North American producers would find it difficult to co-operate in setting prices.

His point was echoed by a senior executive at a UK newspaper group. "The balance of supply and demand in this business is very fine. You can go from feast to famine very quickly. We have seen no evidence of overt fixing of prices."

In spite of such comments, the EU is now investigating as many as 40 newsprint producers for evidence of collusion. The EU launched its inquiry on Tuesday morning when national competition authorities carried out synchronised raids at the agents' offices of the big newsprint producers across the EU. They gathered papers and computer files for investigation by EU competition officials.

The Commission's competition directorate – DG4 – has told the companies raided that the investigation could take between three and six months, although many cartel investigations have taken a lot longer. An investigation into a cement cartel which reached a climax last year took five years.

The Commission has to establish whether the newsprint producers were acting together to distort competition – either by fixing prices, by deliberately creating a shortage of newsprint, or by agreeing to share the market.

If it decides they were operating a cartel it can in theory fine the companies up to 10 per cent of their total turnover, but the final calculation is usually based on the EU turnover in the product concerned.

Last year the Commission imposed record fines on steel beam producers, cartonboard manufacturers and the cement industry. Fines were highest for the cement producers. Thirty-three companies had to pay penalties totalling Ecu248m (£195m) after the Commission found that they used secret agreements to rig the market.

Yesterday a Brussels-based lawyer said: "It really is the season for cartel busting. DG4's pursuit of cartels has become much more politically correct than it used to be – plus it earns the Commission good headlines."

Brussels votes to keep protection for car sales

By Emma Tucker in Brussels

The European Commission yesterday voted to allow Europe's car industry to maintain a protected system of vehicle distribution, in spite of criticism from consumer groups who maintain the system inflates car prices in Europe by 10-15 per cent.

Mr Karel Van Miert, the commissioner responsible for competition policy, said a new framework exempting car manufacturers and their dealers from normal competition rules, but with certain important modifications, would replace the existing rules in June.

However, commissioners were unable to agree whether the new regulation should last for seven or ten years.

In spite of the modifications, the regulation allows manufacturers to continue to choose which dealers they supply and to limit them to selling only one brand at one location, while permitting dealers exclusive franchises within designated territories.

The Commission justified the new framework – the result of a long internal fight between the competition and industry directorates in Brussels – on safety and economic grounds.

The granting of exclusive distribution and servicing agreements promoted "the establishment of a relationship of trust between manufacturers, dealers and consumers in respect of a highly specific product," it said.

But consumer groups, critical of intense lobbying by the car industry in Brussels, said the interests of consumers were being neglected.

"The fact that some commissioners support a seven rather than 10 year period is positive. The shorter period, if finally adopted, will send a clear signal to the car manufacturers that their future lies in competing in the market place and not in hiding behind regulations and exemptions from the competition rules of the treaty," said BEUC, the European consumers organisation.

Another justification used by the Commission for maintaining the system was that the existing distribution structure allows easy monitoring of Japanese vehicle movements and thus helps it manage the EU-Japan understanding under which Japanese car imports to the EU are monitored during the transition to an open EU market for cars by 1999.

The modifications in the new regulation include:

● allowing dealers to distribute more than one make of car provided this is done on separate premises, under separate management, with no possible confusion between the makes.
● the manufacturer and the dealer setting joint sales targets. These were previously decided by the manufacturers
● allowing dealers to obtain spare parts other than those of the manufacturer if they are of equivalent quality
● allowing independent garage owners access to the technical knowledge required for repairing vehicles

The text of the regulation has to be presented to a consultative committee of member states to be finalised by the Commission before July.

Bundesbank voices fears about unemployment

By Andrew Fisher in Frankfurt

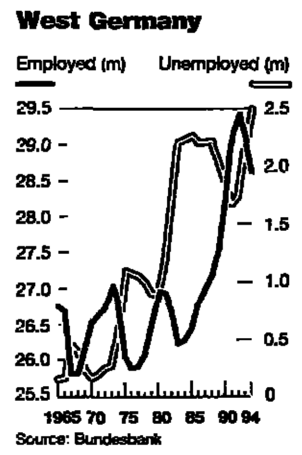
The Bundesbank is worried – not just about the D-Mark's strength, money supply or the budget deficit, all of which it watches keenly – but about jobs.

Yesterday it stressed the need for changes in wage and tax policies to improve competitiveness and help employment in a debate which is gathering strength as doubts grow about Germany's long-term economic health.

"Unemployment has reached a level which is unacceptable over the long term," it said in its annual report. This had led to a high fiscal burden which ultimately had to be borne by those in work and "threatens to endanger the basis for economic growth and increased employment".

Noting that unemployment totalled 3.7m last year (9.6 per cent of the workforce), the bank said companies were discouraged from hiring new labour by pay levels, a high tax burden and legal and structural rigidities. High pay rises in 1995 and the D-Mark's rise would hinder economic growth and employment.

Last month, concern over the jobless prompted the country's six leading economic research institutes to urge the government to limit the tax burden and stimulate demand, investment and jobs. They forecast an unemployment decline of only 203,000 this year.



Politicians and unions have also discussed with Chancellor Helmut Kohl ways of making the labour market more flexible. Some union leaders favour Saturday working and shorter working weeks at reduced pay to help productivity.

While making no firm recommendations, the Bundesbank was clear on where it saw the need for action:

● Laws and regulations to protect against redundancies and mitigate the impact of cuts in the workforce take into account the needs of those in work, but "largely exclude the interests of those seeking employment". Such laws limit companies' readiness to take on new people. Competition is also hampered by restrictive shopping hours and by planning hurdles to setting up new business zones.
● The high employee social costs borne by companies, and the high level of social security costs paid by employees themselves, have made labour more expensive and held back the rise in purchasing power.
● Increased wage differentials could help create jobs. It questioned whether pay differences by sector, region, experience and qualification were large enough to combat structural unemployment. Also, the pay round, in which the first big settlement sets the pace, does not take enough account of varied conditions in different industries.
● Pay deals should meet the needs not just of those in work but also of the unemployed. It commended the 1994 chemical wage settlement allowing for lower pay to encourage companies to take on long-term unemployed but said only the paper industry had followed suit.

The stability-minded Bundesbank rejected the argument that unemployment should be dealt with by more expansive fiscal or monetary policies. Since monetary policy affected short-term interest rates, a relaxation would not stimulate investment; more than 80 per cent of bank loans – industry's most important external financing source – are long term.

High prices spur lifting of curbs in India

By Shiraz Sidhva in New Delhi

The Indian government was forced yesterday by rising international newsprint prices to remove controls on imports.

The New Delhi government acted after a powerful body of Indian newspaper editors threatened to keep newspapers off the stands today if their demands were not met.

Mr P Chidambaram, minister of commerce, told parliament that newsprint would be placed under the government's "open general licence" scheme, which meant it could be imported without a licence. Imports would continue to be duty free, as international newsprint prices were currently higher than domestic ones, he said.

Large newspapers with an annual entitlement of more than 200 tonnes of newsprint had been required to buy two tonnes of local newsprint for every tonne imported.

Mr Chidambaram said the measure had been prescribed to protect the local newsprint industry, which had been hit hard by fluctuations in the prices of imported newsprint.

The Indian Newspaper Society, representative of more than 750 newspapers, has protested to the authorities about the sharp increase in newsprint prices in the past six months. It ran front-page advertisements in Indian newspapers last week, asking: "Is the free press in India really free with continuing controls on newsprint?"

The society said newsprint costs had risen to Rs27,300 (£542) a tonne, a 46 per cent increase in six months. "The very viability of the newspaper industry has been called into question, threatening the democratic process itself," the advertisements said.

Large newspapers, which met a third of their newsprint demands through imports, also protested against the ratio because indigenous production is not sufficient to satisfy their demands.

Mr Chidambaram said the government did not want to render the domestic industry "sick" because of high imports. He said corrective steps such as tariff adjustments would be taken "as and when required" if the industry could justify its demand for tariff protection.

Mr Vishwa Bandhu Gupta, president of the Indian Newspaper Society, welcomed the announcement. The strike was called off. The society has called for an independent agency to evaluate the cost structure of local paper mills.

Kinnock backed on aviation mandate

By Caroline Southey in Brussels

Mr Neil Kinnock, EU commissioner for transport, yesterday won unanimous backing from EU commissioners for a proposal which would give Brussels a wide-ranging mandate to negotiate civil aviation deals with the US.

Mr Kinnock was given strong backing at a Commission meeting particularly from Mr Jacques Santer, president of the Commission, and Sir Leon Brittan, EU chief trade negotiator. But he faces stiff opposition from member states, particularly Britain, when the proposed mandate is presented to transport ministers in June.

Mr Kinnock's proposal follows his objection to far-reaching aviation deals between the US and six EU member states. Austria, Finland, Sweden, Denmark, Luxembourg and Belgium have so far resisted his requests that they stop negotiations. Sweden and Denmark were due to follow the others and initial the agreements yesterday.

The draft proposes that member states cede all negotiating rights on civil aviation matters to Brussels. It proposes a framework for existing and future aviation deals with the US but guarantees the continuation of bilateral agreements which are more liberal than any eventual EU accord with the US, providing they are compatible with EU law.

Mr Kinnock said the mandate would ensure competition in civil aviation "on fair terms". "Without it we will witness ... a policy that is not just America first, but America first, last, both ways across the Atlantic and within and beyond Europe," he said.

The mandate proposes reciprocal access for EU and US carriers, including the right to intra-European and intra-US flights, and measures "to avoid market disruption and unfair competition". This would include addressing issues such as computer reservation systems, slot allocation at airports, US anti-trust laws and Chapter 11 under which US companies can continue while technically bankrupt.

Chirac mixes a fresh strategy

John Ridding on new tactics by the Elysée front-runner

FRENCH ELECTIONS

It seemed like business as usual as Mr Jacques Chirac wrestled his way through the crowd at Orleans, resuming his marathon presidential campaign after Sunday's first round of voting. But the surprise victory of Mr Lionel Jospin, the Socialist candidate and the strength of the far right in the weekend poll, has prompted the Gaullist mayor of Paris to adjust tactics in his bid for the Elysée. And, like his progress through the Orleans' throng, this requires difficult manoeuvring ahead of the second round on May 7.

The Gaullist mayor remains favourite to succeed President François Mitterrand. But he faces the tough task of winning voters from the far-right candidates, who garnered one-fifth of Sunday's poll, without forcing existing supporters and centrists into the arms of his Socialist rival. He must also re-establish unity within the Gaullist party, split by the candidacy of prime minister Edouard Balladur.

In Orleans, on Tuesday, Mr Chirac laid down his strategy. Fierce criticism of Mr Jospin and the Socialists was mixed with a conciliatory stance towards erstwhile Gaullist rivals and a targeted appeal to supporters of Mr Jean-Marie Le Pen, leader of the extremist National Front.

Jacques Chirac hands an autograph to a supporter in Orleans EPA

Taking a turn towards the right, Mr Chirac seized on the issues of urban blight, immigration and security which had taken Mr Le Pen to his record vote. Describing many urban areas as "zones beyond the law" he warned: "If we continue down this slope we will end up with law and order confiscated by ethnic or religious groups." He pledged increased policing and special training for the forces of law and order in difficult areas.

As for immigration, Mr Chirac said: "France, the land of human rights should act without guilt, but also without weakness." Presenting the prevention of illegal immigration as a "major state duty", he promised a stringent review in June of the Schengen accords which have lifted border controls between France and its EU neighbours.

In venturing into Le Pen territory, however, Mr Chirac was careful to distance himself from the National Front leader.

To reassure the bulk of Mr Balladur's troops and to rally the centre-right to his cause, the mayor of Paris struck a conciliatory tone. Describing his rival's presidential bid as "legitimate" he also sought to paper over apparent policy differences.

But making up is proving hard to do. Mr Balladur turned down a meeting with Mr Chirac and retreated to his home in Chamonix.

While seeking to play down the Gaullist rift, Mr Chirac's camp is turning up the fire on Mr Jospin. "The Socialists left a legacy of an asphyxiated economy and a system of values in crisis", said Mr Chirac, blaming the French left for a return to inequality and poverty and Mr Jospin for being involved in the decline.

By holding his first second-round rally in Orleans, the Paris mayor was aiming not only to capitalise on the symbolism of Joan of Arc, the local heroine and a champion of the French right. He was also picking a strategic target. The first round had seen a strong showing for Mr Jospin in most of the departments of the surrounding Val de Loire region, while Mr Le Pen won 18 per cent of the vote in Eure-et-Loire, to the region's north.

Despite Sunday's setback, Mr Chirac is still on course for the Elysée. But to get there he needs to maintain his balance.

● Mr Robert Hue, national secretary of the French Communist party, who garnered 8.6 per cent of the votes in last weekend's first round of voting, called yesterday on Communist supporters to vote for Mr Jospin, the Socialist contender, in the second round of the presidential election.

Finns bemused as $374m subsidy drops on the mat

By Christopher Brown-Humes in Stockholm

Bemused Finnish finance ministry officials were yesterday trying to establish how an Ecu 280m ($374m) subsidy to cushion Finnish entry into the European Union was completely overlooked for more than a year.

The windfall means the country will receive FM7.6bn ($1.78bn) from Brussels this year, 25 per cent more than originally thought, making it a net recipient of EU funds.

Finland secured the one-off subsidy as a last-minute concession for its farmers during its EU accession talks in March 1994. Yet it did not come to the attention of the finance ministry until well after the country's admission to the EU on January 1 1995.

"It's a mystery," explained Mr Erkki Virtanen, the finance ministry's budget director. "It seems there's been a breakdown in communication." He stressed it was not the fault of officials in Brussels, but an internal matter between the Finnish agriculture and finance ministries.

Agriculture was the single biggest issue in Finland's EU accession talks as the country's long-pampered farmers faced a drop in income from having to lower their prices by as much as 50 per cent to reach EU levels.

According to Mr Virtanen, when Finland drew up its 1995 budget last September, the agriculture ministry failed to notify the finance ministry about the concession.

"It seems the people we were talking to were not the same people who knew about the subsidy," he says.

The matter only became apparent when the state treasury office began noticing unusually large sums of money arriving from Brussels at the start of this year. Even then, the payments were initially thought to have been made in error. The finance ministry finally realised what had happened last month.

Mr Virtanen acknowledges that it is not a particularly glorious episode in Finland's drive for fiscal rectitude and an unfortunate one given the poor state of the country's finances.

He stresses that the funds will be used to plug the country's FM30bn general government financial deficit, which is about 5.5 per cent of gross national product. Finland's 130,000 farmers will not get any of the money as they have already been compensated for loss of income through a separate national support package.

An inquiry is under way to find out exactly what happened, but Mr Virtanen doubts there will be any scapegoats.

"When you get an extra Ecu 280m it's not as serious as when you lose the same amount of money," he stresses.

Filip for Turkey as $500m loan package agreed

By John Barham in Istanbul

Turkey's signing yesterday of a $500m three-year loan package, put together by US and Japanese banks, marks the country's rehabilitation after its financial crisis a year ago and paves the way for a further $2bn to $2.5bn in loans later this year, according to Turkish officials.

For the 18 participating banks, the loan is also more than a business deal. "This is not a market-driven transaction," said Mr Anjum Iqbal, Citibank's senior regional executive. "It is relationship-driven. It is to show that in [Turkey's] time of need, these are long-term players."

In January, the government sent international banks a letter warning that future business in Turkey would depend on their support for the $500m loan.

In addition to Citibank, which plans to expand in Turkey, banks participating in the operation include Chemical Bank, which is looking at privately-financed infrastructure deals, and investment banks hoping for privatisation mandates, such as Goldman Sachs and J P Morgan.

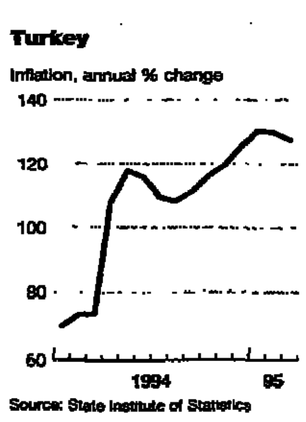
Japanese banks have also become large lenders to the Treasury. Therefore the likes of Yamaichi, Nomura, and Bank of Tokyo feature prominently on the list of participants.

The loan is divided into $252m-worth of floating rate notes designed to appeal to the investment banks. The remaining $248m is a conventional syndicated loan. The government will use the money to cover the budget deficit and finance foreign debt repayments of $2.1bn over the next two months.

The package will cost Turkey 3.5 per cent over Libor (the London interbank offered rate), expensive by present standards, but considered cheap when the loan was first proposed late last year. The government was then reduced to rolling over its $12.5bn domestic debt every three months at steep interest rates. It was even on the verge of rescheduling its debts.

This was the result of a balance of payments crisis last spring that led to a devastating 6 per cent decline in gross domestic product last year. Last summer, Mrs Tansu Çiller, prime minister, signed a standby agreement with the International Monetary Fund.

As a result, the economy has improved considerably. Inflation and interest rates are coming down, the exchange rate is stable, growth is picking up. The central bank has built up $11.4bn in hard currency reserves. Bankers in Istanbul think Wall Street rating agencies could improve Turkey's grade to just below investment grade later in the year.



■ IMF issues renewed warning on fiscal prudence ■ UK leads fight against financial crisis bail-out fund ■ Dollar makes a comeback

World poverty set to increase

By Robert Chote in Washington

About 750m people go hungry every day because they are in extreme poverty, according to a World Bank *study.

The number of people going hungry has fallen in recent years, but the number in poverty is projected to increase. If current growth trends continue, 1.3bn people are expected to be surviving on less than a dollar a day by the end of the decade. This is almost 200m more than in 1990.

Mr Harry Walters, adviser for the World Bank on food security in Africa, said the proportion of the world's seriously malnourished people in Africa was set to rise from 20 per cent now to 45 per cent by 2010.

The Bank said the best strategy to reduce poverty and hunger was to promote broad-based sustainable economic growth. This means that the benefits of economic expansion has to spread widely across the population, and not be confined to the relatively well-off.

The Bank recommended measures to eliminate biases against employment in trade policy, regulation, tax structures, labour laws and financial sector policies. Government spending had to be focused on basic education, healthcare and growth enhancing public investment.

The study also argued that millions of country-dwellers were kept in poverty because policy was biased towards city-dwellers. Agriculture was suffering in many areas because of overvalued exchange rates, industrial protection policies and sometimes export taxes.

The Bank conceded that poverty among some groups might increase in the short term if the economic reforms it suggested destroyed jobs by reducing government spending and eliminating protection for inefficient industries.

Mr David De Ferranti, director of the Bank's population health and nutrition department, said that problems arising from shortages of nutrients such as vitamin A, iodine and iron could be solved worldwide at a cost of just one dollar per person per year. "So if you add all that up, we are just talking about a few billion dollars worldwide to solve these problems. No-one knew that five years ago," he said.

*The World Bank's Strategy for Reducing Poverty and Hunger, by Hans Binswanger and Pierre Landell-Mills, World Bank 1995.

Ministers urge action to cut deficits

By George Graham in Washington

Fiscal consolidation has come to a standstill in many industrial countries and medium-term strategies to reduce fiscal deficits remain inadequate, finance ministers attending the IMF's policy-setting Interim Committee said in Washington yesterday.

Members of the Interim Committee, which includes 24 finance ministers representing both industrialised, industrialising and developing countries, said that "fiscal consolidation efforts are disappointingly weak," according to a summary prepared by the committee chairman, Mr Philippe Maystadt of Belgium.

After a separate meeting ahead of the Interim Committee, the G10 - which adds Belgium, Sweden, Switzerland and the Netherlands to the Group of Seven leading industrial nations (G10 has 11 members) - also called for more serious efforts to tackle budget deficits.

Echoing the communiqué issued by the G7 on Tuesday night, the G10 finance ministers and central bank governors said that the recent decline of the dollar and appreciation of the yen and D-Mark had "gone beyond the levels justified by underlying economic conditions." They called for "sound economic policies aimed at sustainable non-inflationary growth" to restore financial markets' confidence.

In the Interim Committee, the US was singled out for particular criticism for its failure to take stronger action to reduce its budget deficit, while members said Japan needed to do more to deregulate and to open its markets.

Mr Robert Rubin, the US treasury secretary, has come under fire this week from his counterparts, who have been worried that the dollar's sharp fall in the foreign exchange markets over the last two months has been caused in part by worries that the US budget deficit is about to start increasing again.

Mr Rubin, while noting that the US budget deficit - projected at 2.7 per cent of gross domestic product in 1995 - is smaller in relation to the size of its economy than that of any other major industrialised country. He has reassured his colleagues that he and President Bill Clinton remain committed to further deficit reduction, and will not allow Congress to cut taxes unless it fully offsets those cuts with spending reductions.

But Interim Committee members yesterday said that fiscal consolidation in the US and elsewhere needed to be tackled now, while the world economy is expanding.

Clarke opposes idea of special rescue fund

By Robert Chote in Washington

Mr Kenneth Clarke, the UK chancellor, yesterday warned the International Monetary Fund's policymaking committee that creating a special facility to help countries facing Mexican-style financial crises risked sending an undesirable signal that the international community stood ready to bail them out.

Mr Clarke told the IMF's interim committee that creating a new facility might mean that money would be provided without exerting sufficient pressure on the countries concerned to take policy measures which would resolve their underlying economic problems.

"The Fund's founders were right to recognise that it is policy action, as well as finance, that is the remedy to fiscal and balance of payments crises," Mr Clarke said.

"Exceptional access should remain exceptional, and resources should not be provided for this in advance," he added. He said the Fund's finances would remain adequate for the time being, although its liquidity was expected to decline from the record levels of recent years.

The chancellor said that if the Fund suddenly needed more resources to cope with a Mexican-style problem, then its first resort should be to raise finance from the so-called "General Arrangements to Borrow". The GAB allows the Fund to borrow usable currencies from 11 industrial countries plus Saudi Arabia. This was used to finance the UK's borrowings from the IMF in 1977 and a year later, to finance lending to the US.

Britain's chancellor, Kenneth Clarke, with Italian premier and finance minister Lamberto Dini AP

"Since the GAB has not been activated since 1978, I suggest its mechanisms will need to be reviewed. And since the amounts available were agreed in 1983, they too could be reviewed," Mr Clarke said.

This would involve increasing the number of countries the IMF could call on under the arrangements, by including newly industrialising countries which had built up substantial foreign exchange reserves. This would help increase the amount that could be raised from the GAB from its current $11.5bn.

Mr Clarke said he was not yet convinced that what might be a temporary shortage of liquidity justified a permanent response. But he added that the UK would be prepared to consider an increase in quotas, the subscriptions which in effect determine each country's shareholding in the Fund.

"The UK does not favour market borrowing by the IMF, which could change the whole character of the Fund as a monetary institution," he said.

IMF NEWS DIGEST

Mexico states 'worst is over'

Mexico expects economic recovery to start in the final quarter of this year and that 1996 will be a year in which growth will resume, Mr Guillermo Ortiz, the minister of finance, said.

Mr Ortiz told the spring membership meeting of the Institute of International Finance that the "worst is over" as far as Mexico's financial crisis is concerned, thanks partly to the large international financial support package agreed earlier this year.

The minister told his audience of bankers that he thought Mexico would not need to draw on that part of the package arranged through the Bank for International Settlements in Basle. Earlier this year the BIS, which is the central bankers' bank, said it was prepared to provide up to $10bn (£6bn) for Mexico. However, BIS support always seemed the shakiest piece of the international operation because several of the European central banks which were expected, with Japan, to provide the funds were unenthusiastic about the project.

If Mexico does not need BIS support, the scale of the support package will fall to $37.8bn, with $20bn provided by the US and $17.8bn from the International Monetary Fund.

Mr Ortiz said that Mexico had been able to repay $16bn of public sector debt in the first quarter of this year and faced a reducing problem of debt amortization over the rest of this year. It expected debt repayments would be $9bn in the current quarter, falling to between $6.5bn and $7bn in the third quarter and $4.5bn in the final three months of this year. Mr Ortiz said that recent improvements in Mexico's public finances as well as buoyant stock and bond markets and a stronger peso in recent weeks pointed to an improvement in the Mexico's economic outlook. An analysis of recent US trade figures suggested that Mexico's foreign trade surplus was higher than stated in official Mexican figures.

Mr Ortiz warned that while Mexico was now past the worst of its financial crisis, it faced continuing problems in the real economy, including rising unemployment. *Peter Norman*

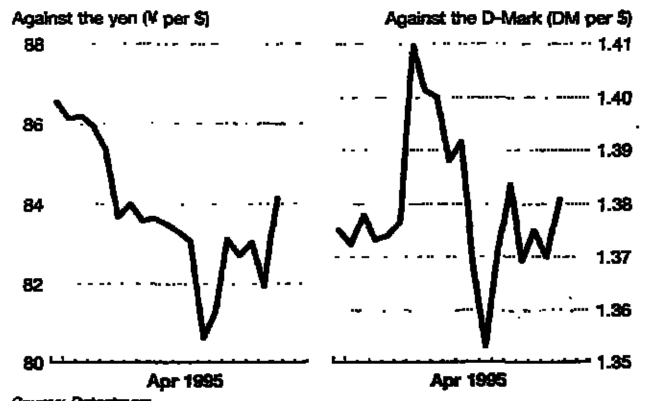
Bundesbank criticises Fund

The Bundesbank criticised the International Monetary Fund yesterday for becoming too involved in expanded long-term financing programmes and not sticking to its role as an adviser and provider of temporary finance to countries in need.

In its annual report, the German central bank said the Mexican currency crisis showed that the IMF's monitoring of the economies of member countries was inadequate.

The bank said the IMF should concentrate on helping countries achieve currency and economic stability and thus contribute to a stable international monetary system. This would create favourable conditions for growth, employment and development. "The strongly expanded financial commitment of the IMF through long-term adjustment programmes with a marked growth orientation is hard to bring into line with this understanding of its role," the Bundesbank said. *Andrew Fisher, Frankfurt*

Dollar stages surprise rally despite lack of action by G7



By Philip Gawith

The dollar yesterday rose sharply on the foreign exchanges, surprising analysts who had predicted it would fall when the G7 meeting in Washington failed to produce a substantive support package for the US currency.

There were reports of dollar buying by US investors who felt the currency now offered good value, but the dominant view is that it still has further to fall.

The market appears, however, to have retreated from extreme pessimism about the dollar. Traders reported decent two-way trade, a change from recent trends in which there was only interest in selling it.

The politicians and bankers in Washington wasted no time trying to talk the dollar up further.

Mr Yasuo Matsushita, governor of the Bank of Japan, said: "I welcome the market's assessment of the dollar. I hope this will be sustained."

Mr Theo Waigel, the German finance minister, said: "I hope this will continue."

The initial response to the G7 communique was negative, with the dollar falling to Y81.20 before the the Bank of Japan stepped in to support it. The central bank's efforts were helped by rumours about the death of Chinese leader Mr Deng Xiaoping, which encouraged dollar buying.

The dollar's subsequent rally was also helped by comments from Mr Hans-Juergen Krupp, a Bundesbank council member, suggesting that German interest rates might have further to fall.

Dealers said that the expectation of the dollar falling after the G7 meeting had been so well telegraphed as to encourage the reverse.

Mr Mike Cornford, head of global foreign exchange at Credit Lyonnais in London, said: "The market, having made such a huge downward move in the dollar, needed rather than good news to buy the dollar, more bad news to sell it."

The dollar rallied by about three yen and two D-Marks before closing in London at Y84.125 and DM1.3811.

However, the fragility of G7 efforts to support the dollar was underlined by comments from Mr Larry Summers, the US Treasury under-secretary, who told the German newspaper Handelsblatt that the Germans were champions at saying "No".

Mr Mark Cliffe, international economist at HSBC markets in London, said: "That is quite a strong thing to say only hours after a communique calling for closer co-operation."

Mr Summers emphasised that his comments were intended as criticism among friends, but noted that the US had had to accept a lot of criticism from European countries, especially Germany.

The dollar's rally is expected to be fairly short-lived. Analysts said that, for a move of this consequence to be reversed, a fairly important economic or political event was required to act as the trigger.

Russians sign deal to develop Iraq's oil and gas fields

By John Thornhill in Moscow

Russia has signed an agreement to help develop Iraq's oil and gas fields, securing a strong position in the scramble for business which is expected to follow any relaxation of United Nations sanctions.

Following a visit by a Russian ministerial delegation, Iraq has granted Russian companies the right to develop the southern Iraqi fields of north Rumeila and western Kurna, which are among the biggest in the country. According to Russian estimates, these two fields are capable of producing 60m tonnes of oil a year, equivalent to about one-fifth of Russia's total output. Mr Hadi Jawad, Iraq's oil minister, explained the agreement by saying: "The Russians are our friends - we have good relations with them."

Russia's overtures to Iraq may give a further tweak to US-Russian relations which have grown increasingly strained. The US has been fiercely critical of Russia's decision to sell nuclear technology to Iran and applied considerable diplomatic pressure for the project to be cancelled. But Russia is reluctant to abandon a highly lucrative contract and insists the technology will only be used for peaceful purposes.

The UN imposed sanctions on Iraq after its invasion of Kuwait in 1990 and they have been maintained ever since - chiefly at US insistence. However, several countries, including Russia, have called for an easing of the sanctions, arguing that they now serve little purpose. Russia had extensive oil industry interests in Iraq before the Gulf war and is owed more than $10bn (£6bn) by Baghdad.

Mr Yuri Shafranik, Russia's minister of fuel and energy, who was leading a 22-person delegation to Iraq, said work would begin on the oil projects as soon as sanctions were relaxed. The agreement was struck after the delegation met Iraqi President Saddam Hussein and Mr Tariq Aziz, the prime minister.

Mr Yuri Agababov, deputy general director of Zarubezhneft, a Russian oil company which is a part of a consortium formed last winter to develop possible projects in Iraq, said Russian companies were keen to maintain "the strategic initiative" before western companies entered the market "slowly but surely". Several multinational oil companies, particularly from France, have also been jostling for position ahead of the lifting of sanctions.

In February, Mr Vladimir Zhirinovsky, the inflammatory Russian nationalist, visited Baghdad and urged the Moslems and Orthodox Christians to unite in opposition to the west.

S Africa ponders Japanese bond issue

By Mark Suzman in Pretoria

The South African government said yesterday it was considering launching a Japanese bond issue of between Y25bn-Y30bn (£190m-£229m) early next month, pending the success of a international tour by senior finance officials.

Mr Chris Liebenberg, finance minister, said that he, along with Mr Chris Stals, governor of the South African Reserve Bank and Mr Jay Naidoo, the minister without portfolio charged with running the government's reconstruction and development programme, would leave shortly for New York, London, Zurich and Tokyo.

Mr Liebenberg said the aim of the trip was to keep foreign investors abreast of recent economic developments in South Africa but that the government would consider taking out a loan in the Japanese market at the conclusion of the presentations "if the market seems agreeable and fertile".

Mr Liebenberg said that while South Africa did not need to look internationally to meet its borrowing requirements for the year, it would consider a Japanese issue because of the need to set a benchmark in that market for other South African issuers.

He also pointed out that South Africa was currently highly underborrowed in terms of foreign denominated loans, with existing debt amounting to just 14.2 per cent of GDP, well below the World Bank's recommended guidelines of between 30-50 per cent of GDP for "moderate" debtor countries. "We don't have to make any issues, but if the margins are good and the response is keen we will go ahead."

Fresh miracles will be harder to achieve

Roger Matthews on the challenges that follow the first year of the new South Africa

South Africa is spending this week, the first anniversary of its multiracial, democratic elections, looking at itself in the mirror and exclaiming with pleasure.

President Nelson Mandela, hero to the nation and to much of the world, was out of bed early on Monday to declare that some of the achievements during his year in office had exceeded his wildest dreams. Before bedtime, Mr F W de Klerk, former president and now second deputy to Mr Mandela, forecast that "what is going to happen in South Africa in the months and years to come will overwhelmingly be good news".

Such self-confidence should be gratifying for a nation which, in the words of Mr de Klerk, appeared in the 1980s to be on a "hopeless downward spiral to self-destruction". The reversal of that process, which culminated in the election of a government of national unity led by Mr Mandela's African National Congress, was proclaimed miraculous. Future miracles will be harder to achieve, not least because South Africa will have to measure progress against an increasingly international yardstick.

The great achievement of President Mandela and Mr de Klerk was to coax South Africa towards the starting line, where politically and economically it could begin to realise its potential. But South Africa lines up with the heavy burden of the apartheid years on its back, a society deeply divided by colour, income, and opportunity, and conflicting demands from its people that only the most skilled political leadership can hope to resolve.

Black South Africans, who have an average per capita disposable income of the equivalent of $1,000 a year, compared with nearly $8,000 for whites, must be seen to be narrowing the gap. Instead a black-led government is having to persuade organised labour to accept a cut in real wages to help create jobs for the nearly 33 per cent of the workforce without employment and for the 400,000 young people who join the labour market each year.

At the same time the white-dominated business community, and the nation's most affluent citizens, warn against policies that could damage confidence (by implication, theirs) as the economy continues to emerge from recession.

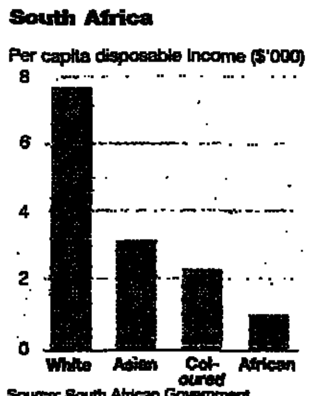
Growth this year should be more than 3 per cent, but will still be below the 7 to 8 per cent which needs to be sustained for more than a decade if a significant dent is to be made in unemployment. It will also have to be accompanied by yet tighter fiscal policies to reduce the budget deficit below this year's target of 5.8 per cent of gross national product.

The new South Africa wishes to travel the Asian growth route, but through the creation of a political and economic consensus. It is intended that most important economic issues, and matters such as labour relations legislation, should be resolved by the National Economic Development and Labour Council on which sits government, employers and unions. The final constitution is being drawn up by the Constitutional Assembly, formed by the national assembly and the senate, while the three main political parties are supposed to reach joint decisions in cabinet.

It is a system which inevitably imposes strains. Chief Mangosuthu Buthelezi, the minister of home affairs, has withdrawn his mainly Zulu Inkatha Freedom party from the Constitutional Assembly, primarily because the ANC will not concede the degree of autonomy he wants for KwaZulu-Natal. The IFP is openly discussing leaving the government before the local elections in November.

Cosatu, the main trade union federation and political ally of the ANC, is finding it hard to explain to members why it must make compromises when so little has been achieved in improved living standards or working conditions.

Mrs Winnie Mandela, estranged wife of the president and recently dismissed deputy minister, has been quick to spot an emerging political vacuum. The government, she declared, was doing more to soothe the whites than it was to redress the grievances of the blacks. The unrealised expectations of the black majority are certain to remain a fruitful vein for government opponents to mine.



The idealism and sincerity of ANC ministers is not in doubt as they struggle to create a transparent and just framework of government. But South Africa has an alarming record of political and civil violence, an illiteracy rate of more than 30 per cent which can make communication difficult, and a history of hostility or indifference to government which the ANC fostered and would now be unwise to ignore.

All of which makes it vital that ANC idealism is matched by the more pragmatic task of keeping in touch with grass-roots supporters, and of avoiding all risk of being tainted by the accusations of corruption and patronage that were so much the hallmark of previous administrations.

ANC leaders may be delighted by their first year in office, but their achievements are progressively less visible further down the economic and social scale where too many people have yet to be convinced that, materially, much has changed.

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Warning on airline joint ventures in India

By Shiraz Sidhva in New Delhi

An Indian parliamentary committee yesterday warned against allowing foreign equity participation in domestic airlines, jeopardising a joint venture between Singapore Airlines and the Bombay-based Tata industrial group to enter India's domestic aviation industry.

A report from the upper house's standing committee on transport and tourism tabled in parliament yesterday said the committee considered equity participation from foreign airlines in the domestic aviation industry "a dangerous trend".

The committee says the entry of foreign carriers would create "hub and spoke" arrangements within the country, which could ruin Indian carriers. The report also objected to restrictions imposed on Air India, the national carrier, by other countries in the past.

"The only way we can survive is if we protect, for a short while, our own turf," the report states. "Equity participation at this stage would prove to be a death knell not only for small private airlines, it will also hit Indian Airlines [the state-owned domestic airline] badly."

Although the report did not name any foreign airlines, Mr Pramod Mahajan, chairman of the committee and Bharatiya Janata Party MP in the upper house, has vocally opposed the Rs18bn (£356.6m) Tata-Singapore Airlines venture. The proposed new airline, envisaging 40 per cent equity from SIA and 60 per cent from Tata, has been awaiting clearance from the government's foreign investment promotion board since February 6.

"Singapore Airlines has such a gigantic fleet that they could swamp the domestic industry with aircraft, killing all the other airlines operating here," Mr Mahajan said. Mr Pramod Mahajan is an influential MP from Maharashtra, India's most industrialised state, where his party has formed a government with its more militant ally, the Shiv Sena.

Singapore Airlines executives said the new venture would not affect Air India. They claim that even at its full potential, the proposed airline would have a market share of less than 20 per cent. A senior Singapore Airlines executive said delaying the proposed joint venture would benefit existing private operators which did not have the resources to set up the engineering and training facilities SIA would provide.

Many industry sources agree that a strong airline with high standards would improve the quality of Indian domestic aviation. "Ultimately India has to decide if it really wants foreign players in its domestic industry," an airline executive said. India privatised domestic aviation two years ago.

Healthcare spending set to race ahead in Asia

By Simon Kuper

Percentage Growth Rates For Medical Technology Markets			
Country	1985-89	1991-1993	1994-1995**
United States	8	8	7
Europe	8	6	6
Japan	8	5	6
Asia*	9	18	22
Latin America	6	9	13

* excluding Japan
** forecast

Source: Health Industry Manufacturers Association

When a country's economy grows, its spending on healthcare grows even faster. This lesson was learned by western countries after the second world war, and Asia is discovering this now.

The Asian medical technology market, for example, will expand by more than a fifth this year, the Health Industry Manufacturers Association says. Healthcare spending is probably growing fastest in Singapore, Malaysia and Thailand, but the boom is continent-wide.

The reasons are obvious. Life expectancy in some Asian countries has risen 15 years over the past two decades. Asians, who previously died of illnesses such as malaria, cholera or diarrhoea, are now living long enough to succumb to "western" diseases including cancer or heart attacks.

These require expensive treatment, and as disposable income rises, more Asians are prepared to pay for expensive care. But they are less willing to care for their elderly at home. A study commissioned by the World Bank found that when a country's gross domestic product rises by 1 per cent, its spending on health rises by 1.4 per cent.

Asian healthcare spending has a long way to grow. The average Chinese household spends just $5 a year on healthcare, against a worldwide average of $50. The US spends 14 per cent of its GDP on health, while Thailand, Indonesia and Malaysia spend 4 per cent or less.

Japan, which spends just over 6 per cent, is the only Asian country so far to have cut prices of pharmaceuticals: a nearly universal practice in western countries. The boom extends to almost all sectors of the Asian healthcare market, from crutchmakers to hospital builders.

Wealthy Chinese can now go to private hospitals in their own country instead of flying to Hong Kong for treatment. National Medical Enterprises of America has set up a kidney dialysis clinic in Guangzho, China, in a joint venture with a Chinese state company.

The private medical insurance market is starting to grow, too. Before, Asians paid for healthcare by cash or credit card. Bupa, the British medical insurers, has been in Hong Kong for years and has advisers in many Asian countries. It is planning to expand into China after 1997.

Healthcare for the elderly – the "silver industry" – is growing at 12 per cent a year in Japan, according to Barings Securities. Hong Kong is planning rehabilitation services for 3,900 chronically ill patients. This and other projects have raised the Hong Kong government's spending on health by per cent over the past year.

Yet Asian governments will not finance the bulk of the increase in spending. The World Bank has advised governments to cut their expenditure on most forms of high-tech care by half, and to invest instead in basic clinical services, Aids education and immunisation. Private companies will take over the high-tech care.

Ms Christine Pillsbury, a healthcare analyst at Lloyd George Management Group in Hong Kong, said: "In Indonesia six months ago, private healthcare would have been a dirty word. That's changing."

Thailand has encouraged the growth of private hospitals by offering tax holidays and cutting import taxes on certain medical equipment. In Asia generally, said Ms Pillsbury, "governments are practically handing over facilities to people willing to run them as a commercial service."

Indonesian hospital venture considered

By Peter Montagnon, Asia Editor, in London

The International Finance Corporation is evaluating a second Asian hospital venture, to follow its existing project to build a 530-bed hospital in Bangkok.

The move into healthcare by the IFC, a World Bank arm which finances the private sector, reflects the realisation that in Asia private capital will be needed for health as well as for obvious infrastructure areas such as power and transport.

The IFC said it decided on the move because public investment in hospitals in Thailand had failed to match rising demand for healthcare as the economy grew. Government facilities are overcrowded and the capacity of private hospitals is stretched.

Similar conditions apply in Indonesia where the IFC is considering its second project, but the IFC declined to give details pending completion of the evaluation study.

The Bangkok project, with a total cost of $111m (£69.1m), is a joint venture with Bumrungrad Hospital of Thailand and Tenet Healthcare of the US.

Critics of private healthcare argue that it leads to inequities, introduces a profit incentive and raises costs. "It is not difficult to establish that private provision enhances access to basic healthcare in government facilities," the IFC said.

Mrs Marcos, accusing the election commission of harassment, shows her residence certificate to the press yesterday Reuter

Imelda Marcos, 'campaigner for the poor'

Edward Luce follows dictator's widow on the trail to win election to Philippine congress

The former first lady of the Philippines, Imelda Romauldez Marcos, looks set to win a seat in the Philippine House of Representatives on May 8, if local opinion polls are to be believed.

Despite having been disqualified last Monday from running because she has been resident for less than a year in Leyte (her chosen congressional district and the island of her birth), the widow of former dictator Ferdinand Marcos has been allowed to stand pending an appeal. Lawyers say that if she wins the election, it is possible Mrs Marcos could serve a full three-year congressional term before the Supreme Court delivers its decision.

Meanwhile Mrs Marcos's ability to capture the imagination of many of the country's poor by taking up their grievances about the government's economic reform programme will continue to impress those who had consigned the Marcos family to history when it was toppled in 1986.

"Look at these people. They love me," said Mrs Marcos waving at villagers on the campaign trail. "They know that I love them and they know that the coup against the Marcos's was a middle-class revolution against the poor."

According to Mrs Marcos – who faces 384 charges of human rights abuses, misappropriation of public money and corruption – the finger of blame should be pointed at the Fidel Ramos administration which has opened the economy to foreign business.

"They call what we did 'crony capitalism' because we handed control of public companies to Filipino businessmen," said Mrs Marcos, referring to the circle of business intimates who profited from the Marcos years. "I say that it is better to give economic opportunities to Filipinos than to sell our national assets to foreigners on the cheap."

The opposition National People's Congress (NPC), which opposes much of the Ramos reform programme and has canvassed for a less open economy, has exploited provincial resentment against the Manila business élite.

Despite two years of economic recovery, little of the new wealth appears to have reached the rural poor. Unemployment, which has risen to 8.8 per cent, and underemployment, which the government estimates is close to a fifth of the workforce, have fuelled the opposition's contention that the fruits of economic growth have been monopolised by the middle classes.

The execution last month of a Philippine maid in Singapore for double murder has also been taken up by the opposition which accuses the government of indifference to the fate of millions of impoverished Filipinas working overseas. Mrs Marcos is affiliated to the opposition and her son, Ferdinand junior, is a NPC candidate for the Senate.

"Flor Comtemplacion [the executed maid] represents all of us," Mrs Marcos told applauding villagers in Leyte. "She was poor, she was cheated and she was forced to work for foreigners."

After dispensing 20-peso (about 70 cents) bills to outstretched hands and a white envelope containing 2,000 pesos to the village head for the repair of the chapel, the former first lady sung a nationalist ballad in the local dialect.

'The coup against the Marcos's was a middle-class revolution against the poor'

The performance was then repeated in the next village. "We have now visited all 370 *barangays* [villages] in the congressional district of Leyte," said Mrs Marcos. "None of the Ramos candidates have done that. They call us thieves but they are not close to the people," she said.

Of the $10bn that the Presidential Commission on Good Government – the agency set up to retrieve missing funds from the Marcos years – estimates the Marcoses took from the Philippines before 1986, $370m has been identified in a Zurich bank account.

Appealing against a prison sentence of 42 years arising from the two completed court cases against her, Mrs Marcos says she is prepared to accept a secret government offer made last year to repatriate most of the money from Switzerland.

Under the deal, which was leaked to the press by disaffected members of the commission and subsequently confirmed by government officials, Mrs Marcos would exchange the stolen money for a pledge to drop all charges against her.

"The government put forward a 75:25 deal. We would keep 25 per cent of the money which, I must stress, is legitimately ours, while the government would take the rest. It would pain me to give away so much of Ferdinand's hard earned money but at least it would be going to the Philippine people," she said.

ASIA-PACIFIC NEWS DIGEST

Securities chiefs resign in China

The president of China's largest securities firm has resigned, two months after a bond trading scandal threatened to wipe out the brokerage he founded. Mr Guan Jinsheng stepped down at a board meeting of Shanghai International Securities Company on Tuesday, along with the chairman, Mr Xu Qingxiang. No reason was given for Guan's departure and Mr Xu left on grounds of old age, the China Securities paper said.

Shanghai International is being investigated for allegedly dumping treasury bill futures in the final minutes of trading on the Shanghai Stock Exchange, to try to pull prices down after betting the wrong way on a rising market. The brokerage was bailed out by the stock exchange which ordered trades unwound at negotiated prices.

Mr Xu was replaced as chairman by Mr Zhu Heng, deputy chairman of the Shanghai Pudong Development Bank, one of the main shareholders in Shanghai International. Mr Gao Guofu, senior official at Shanghai Waigaoqiao Free Trade Zone, was elected vice-chairman and acting president. China's top securities regulator, Mr Liu Hongru, was replaced as chairman of the China Securities Regulatory Commission following the scandal. His successor immediately launched a crackdown on the futures industry. *Reuter, Shanghai*

Taipei snubs Beijing call

Taipei yesterday rejected a proposal from Beijing to hold a fresh round of talks on April 26-29, because of disagreement over the agenda. Beijing had proposed discussing economic and technology issues, but Taipei maintains outstanding disputes should be resolved first.

This would be the eighth round of follow-up talks to high-level meetings held in Singapore in 1993, the first political contacts between the two rival governments since 1949. At the talks, framework accords were reached covering the resolution of bilateral fishing disputes, and repatriation of airline hijackers and illegal immigrants. The accords were meant to be fleshed out, but the two sides have been unable to settle differences during the two years of follow-up meetings.

After the most recent round of talks held in Beijing in late January, negotiators on both sides said agreement had been reached on the repatriation issues, but still no pacts had been signed.

Taipei said the two sides may exchange views on issues relating to economic and technology exchanges in the next round of meetings, but no indication came of when such meetings might take place. Earlier, both sides had tentatively agreed they could be held in Taipei. *Laura Tyson, Taipei*

Top Aum member arrested

Japanese police yesterday arrested a key figure in the Aum Shinri Kyo religious cult being investigated over gas attacks on the Tokyo subway system, Japanese media reported. NHK television reported that chemical expert Masami Tsuchiya and six other members of the sect were held on suspicion of confining cult followers and sheltering an Aum member wanted by police.

Of the seven Aum members, six were found hiding in an underground room at the cult's complex at Kamiku Isshiki at the foot of Mount Fuji. The cult's secretive chemical squad had reportedly gone into hiding shortly after police began raids of cult facilities in response to the March 20 gas attack on Tokyo's subways. The attack killed 12 people and left 5,000 sick. The cult has repeatedly denied involvement in the attack. *Reuter, Tokyo*

Indonesia 'admits problems'

Indonesia yesterday conceded it has not yet tackled some of the most difficult sectors in its economic deregulation programme, especially those dominated by politically-connected businesses. Mr Saleh Afiff, co-ordinating minister for economic, financial and development supervision, said: "We have no illusions the deregulation programme is complete. In some cases, we still face government-granted monopolies, high tariffs, investment restrictions and other regulatory measures that harm our exports and growth."

The minister was speaking at a conference, co-sponsored by the World Bank, which reviewed Indonesia's track record in economic deregulation. The conference included discussions on the cement, sugar, pulp and paper sectors which remain among the most highly protected and regulated areas of the economy. Many of these sectors are dominated by politically-connected conglomerates.

World Bank economists praised Indonesia's policy of deregulation which to date has concentrated on the financial sector and foreign investment rather than trade; but warned continued deregulation was "critical" if Indonesia is to keep up its growth momentum. *Manuela Saragosa, Jakarta*

Nintendo cassettes seized

Indonesia, still fearful of communist influence three decades after communism was outlawed there, has seized Nintendo video-game cassettes it says contain the hammer and sickle symbol, the Jakarta Post reported yesterday. It quoted police in the central Java city of Semarang as saying the $25 (£15.60) cassettes had been seized at several outlets. Police said the symbol was hard to find as it appeared only in the 20th frame of the 1,200-frame video game.

Since the mid-1960s, Indonesia has banned or confiscated books, records, films and other products it says contain communist teachings or symbols. Indonesian officials periodically warn of the lingering threat of communist subversion. *Reuter, Jakarta*

Manila cuts reserve limit

The Philippine monetary board is to cut from 17 to 15 per cent the reserve requirement governing the share of total commercial bank deposits which must be held at the central bank. The measure was accompanied by a reduction on reserve requirements for thrift banks and rural finance houses from 9 to 7 per cent, to increase liquidity in the economy and lead to lower interest rates.

Mr Gabriel Singson, central bank governor, said the measures "are designed to ensure our monetary policy can sustain the country's hard-earned economic growth." Pressure on the government to relax monetary policy has been stepped up in the last fortnight following expectations of lower first-quarter growth figures.

Next month, the government is to conduct talks with the IMF within a review linked to a three-year IMF credit programme. The IMF is reported to be concerned about the pace of Philippine monetary growth which has overshot official targets. *Edward Luce, Manila*

Bangladesh wins aid pledges

Industrial countries made Bangladesh new aid commitments of $1.9bn (£1.18bn) in the coming year at a meeting sponsored by the World Bank in Paris yesterday. This is sharply higher than last year's $1.2bn total commitment.

Donor countries expressed concern that the pace of reform was slowing as elections drew nearer, but Mr Saifur Rahman, finance minister, said his government recognised the need for continued reform. *Peter Montagnon, Asia Editor*

Karen camp burned

Some 100 Burmese soldiers and members of an allied Karen guerrilla faction have crossed into Thailand and set fire to a Karen refugee camp, leaving more than 3,000 people homeless, a Thai army officer said yesterday. The intruders crossed Moei River, which forms the Thai-Burmese frontier, on Tuesday night, then entered Kamaw Lay Ko Camp in north-west Thailand. They looted and set fire to more than 300 buildings, taking unknown numbers of people hostage.

Relief workers say Burmese troops and members of the allied Karen faction have launched a terror campaign against the 70,000 Karen refugees in Thailand, to force them back into government-controlled parts of Burma. *Reuter, Bangkok*

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Supreme Court strikes down gun law

By George Graham in Washington

The US Supreme Court yesterday struck down a federal law banning possession of a gun within 1,000 feet of a school on the grounds that it went beyond the area in which the constitution gave Congress the authority to legislate.

The Supreme Court heard arguments on the case last November, on the day of the congressional elections which swept a Republican majority much more hostile to gun controls into office. But it announced its decision yesterday, at a time when the debate over gun control has been thrown into uncertainty by the bombing of a federal building in Oklahoma City.

One man has been charged in connection with the attack on the building, from whose ruins 98 bodies have so far been recovered.

He has been linked to extremist "militia" groups whose ideology is built around the right to carry guns.

Five of the Supreme Court's nine justices voted to throw out the conviction of Mr Alfonso Lopez Junior for bringing a .38 calibre handgun and five bullets to San Antonio High School

Their decision could have far-reaching ramifications for Congress's legislative authority.

The first article of the US constitution closely defines Congress's power to collect taxes, raise an army or a navy and regulate bankruptcies, naturalisation or patents.

But it adds the power to regulate commerce with foreign nations or between the states, a provision which has been broadly interpreted.

In arguments before the Supreme Court last year Mr Drew Days, the solicitor general, said that the gun bill passed by Congress in 1990 was properly concerned with the "impact on the national economy" arising from trade in guns.

Chief Justice William Rehnquist, in an opinion for the majority, dismissed that argument, saying that the offence of carrying a gun near a local school had "nothing to do with 'commerce' or with any sort of economic enterprise, however broadly one might define those terms."

"Under the government's 'national productivity' reasoning, Congress could regulate any activity that it found was related to the economic productivity of individual citizens," Mr Rehnquist wrote.

But Justice Stephen Breyer, writing for the four dissenting justices, said that the gun law fell well within the scope of the power granted by the Congress to regulate interstate commerce.

"Upholding this legislation would do no more than simply recognise that Congress had a 'rational basis' for finding a significant connection between guns in or near schools and (through their effect on education) the interstate and foreign commerce they threaten," he wrote.

Many Republicans in Congress, joined by some minority Democrats, had wanted to press for a repeal of last year's law banning assault guns soon after the House of Representatives returns from its Easter recess next week.

That urgency has been diminished by the link between the Oklahoma City bombing and extremist opponents of gun control, and immediate attention appears likely to focus on anti-terrorist legislation.

But some supporters of a repeal of the assault weapons ban also plan to tie the measure into a broader crime bill which would include the anti-terrorist measures demanded by President Bill Clinton – which could make it more difficult for the president to veto the repeal.

Mexican unions shun May Day march

Pro-government barons wish to spare President Zedillo's blushes, writes **Leslie Crawford**

Mexico's largest labour unions will not be holding their traditional May Day parade this year. With rising unemployment, spiralling inflation and meagre wage increases, they have little to celebrate.

But the unprecedented decision to cancel the May Day celebrations was taken for other reasons. The biggest labour federation, Confederación de Trabajadores de México (CTM), historically aligned with the government, wishes to spare President Ernesto Zedillo the embarrassment of huge anti-government protests on that day.

Union officials admit they would not be able to restrain the anger that is felt against Mexico's ruling technocrats, who are held responsible for the country's economic crisis and an austerity programme which has whittled the minimum wage down to 18 pesos ($3) a day, when the cost of living has already risen by 20 per cent this year.

The absence of "official" unions, which represent some 12m organised workers, will clear the stage for protest demonstrations planned by smaller, independent labour unions and left-wing political parties. Teachers, electricians, and Mexico City's combative transport workers, whose leaders were arrested this month on charges of fraud and embezzlement, will occupy the vacuum left by the mainstream labour movement and act as a channel for dissent.

Policing is expected to be heavy on May Day, as the government fears the protests might lead to violence.

The rise in tension as May Day approaches has been particularly acute because the labour movement's response to the economic crisis, which began with December's devaluation of the peso, has been surprisingly muted to date.

In the face of an austerity programme which has driven the economy into recession, slashed government spending, raised public tariffs, and increased the sales tax from 10 to 15 per cent, the labour movement's only act of rebellion has been to refuse to endorse the government's economic policies.

The programme, announced on March 9, was not accompanied by a *pacto* – the tri-partite agreement between government, labour and business which served to legitimise Mexico's economic reforms over the previous seven years. This implied both a significant

Zedillo: spared embarrassment

blow to Mexico's corporatist political system and the go-ahead for decentralised wage bargaining at the factory level.

But fear of unemployment has dampened union militancy and pay demands, which, for the first time this year, have not been subject to government-imposed ceilings. The moderation of pay settlements suggests the competitive advantage provided by the peso's devaluation since December of about 40 per cent will not be swallowed up by inflationary wage increases. Since devaluations improve a country's competitive position by bringing about a reduction in real wages, it will be viewed as good news by Mexico's economic managers.

The economic consultancy, GEA, which tracks collective wage negotiations nationwide, says there have been few strikes, and four-fifths of pay settlements since January have not exceeded 7.5 per cent, compared with officially forecast inflation of 42 per cent this year.

There have been exceptions, however. The wages of Mexico City's crime squad were doubled in March in an attempt to stem the corruption that riddles the police force. The 37,000-strong electricity union accepted a 15 per cent pay rise, even though its members had demanded 30 per cent and vilified their leaders for accepting less. Mexico's in-bond manufacturing plants, whose exports have soared since devaluation, have granted pay increases of 20 per cent or more.

The 49,000-strong telephone workers' union also reached a little-publicised pay deal with Teléfonos de México, the privatised telecommunications monopoly. Basic salaries were increased by 23 per cent in March, but under a separate productivity deal, employees will receive an additional 40 per cent increase if they meet production targets set by the company.

"The freeing of collective bargaining this year certainly helped us to reach a pay settlement which protects us against inflation," says Mr Francisco Hernández Juárez, the telephone workers' leader.

He is atypical among Mexico's labour leaders in that he embraces modern concepts such as performance-related pay, off-the-job training, and Japanese methods of quality control. Mr Hernández Juárez is proud that his union is playing an active role in the company's modernisation as it prepares for the entry of competition in 1997. He is equally depressed at the ossified state of Mexico's trade union movement today.

"The labour movement has become politically subservient to the government," he says. "I want a labour movement that works."

That may have to wait until Mr Fidel Velázquez, the 95-year-old leader of the CTM, decides to retire from the labour federation he has led since 1950. Tired, ailing, and barely audible at his weekly press conferences, he personifies Mexico's debilitated and voiceless labour movement.

Surprise rise in durable orders

Durable goods orders posted a surprising rise in March as demand increased for a broad range of products, the Commerce Department said yesterday, Reuter reports from Washington.

The value of total orders rose 0.6 per cent to a seasonally adjusted $164.3bn, a sharp contrast to Wall Street economists' forecasts of a 0.5 per cent drop. It follows a revised 0.7 per cent decline in February, compared with a 0.8 per cent decline previously.

Shipments of finished products were also higher for a fifth straight month, up 0.5 per cent to a seasonally adjusted $162.1bn. Backlogs of unfilled orders also gained for a seventh month in a row, rising 0.5 per cent to $438.9bn.

The strength in orders, shipments and backlogs shows the industrial sector of the economy still retains considerable vigour.

The biggest increase in March orders was for electronic and other electrical equipment, which shot up 6.1 per cent to a seasonally adjusted $26.3bn after falling 4.5 per cent in February.

Industrial machinery and equipment orders rose 2.7 per cent to $32.1bn following a 1.4 per cent February gain.

But transportation orders were down in March by 0.6 per cent to $40.4bn after a 2.4 per cent climb in February. The department said weaker orders for aircraft and parts affected the transportation sector last month, while new car orders were flat.

The overall economy has slowed so far this year, with industrial production and capacity use rates easing in March, softer retail sales and three straight months of declining housing starts.

But there are signs of healthy economic activity, reflected in Tuesday's reports of a 5.8 per cent pickup in March sales of existing homes and a gain in consumer confidence during April that suggests any economic slowdown could be temporary.

AMERICAN NEWS DIGEST

Argentine army chief apologises

The commander-in chief of Argentina's army has apologised for the actions of the military in the 1970s Dirty War in which thousands of political prisoners were tortured and murdered in secret concentration camps.

In a televised speech, army chief General Martin Balza said "the end never justifies the means" and admitted the armed forces had acted illegally and immorally. The apology comes after 20 years during which Argentina's military has defended its actions throughout the military dictatorship of 1976-83 in what it described as a war against subversion.

Gen Balza's statement, which he said was made without consulting President Carlos Menem, follows recent confessions by two military officials that they participated in flights in which live prisoners were thrown into the sea from aircraft.

The revelations have disgusted many Argentines and prompted calls for the publication of lists of the "disappeared".

Gen Balza said such lists did not exist, but said he would protect individual members of the armed forces who came forward with names in an attempt to reconstruct them. He also implicitly challenged the notion of "due obedience", through which most military personnel escaped punishment, saying that no one should follow an order that they knew to be morally wrong.

Mr Carlos Ruckauf, Mr Menem's vice-presidential running mate in next month's presidential elections, said he suspected there was political manoeuvring behind recent military revelations. It was strange that two former members of the armed forces should choose to break silence so close to May 14 elections, he said. *David Pilling, Buenos Aires*

Panama to restructure debt

Panamanian officials are expected in New York next week for further talks on a restructuring of its roughly $3.6bn commercial bank debt. The mission, headed by chief debt negotiator, Mr Ricaurte Vasquez Morales, is expected to meet its six-bank advisory group headed by Citibank on Tuesday. The banks hold a private meeting on Monday.

Panama's debts to commercial banks stand at around $2bn and there are arrears on interest payments totalling a further estimated $1.6bn. A settlement with banks – expected by some bankers fairly soon – would mark the final step of a process to clear the foreign debt defaults of the Noriega era. Some $685m of arrears to the Paris Club of creditor governments and the multilateral financial institutions was cleared in early 1992, while defaults on nine bond issues were settled under a bond exchange last year.

Panama and Peru are the only two Latin American countries with significant debts to banks not to have completed a Brady concessional debt restructuring plan. *Stephen Fidler, London*

Chile central bank in court

Chile's central bank went to court on Tuesday for a writ against the Banco de Chile to stop shareholders voting to capitalise the 1994 dividend at the annual general meeting due tomorrow. The bank, Chile's biggest commercial bank, has a subordinated debt of more than $1bn owed to the central bank, which is supposed to be repaid out of profits. Last year, the shareholders voted to capitalise dividends at book value, which the Central Bank claims reduced repayments owed to it.

The debt is the legacy of a government bail-out in 1983 and 1984 for most of the local banking sector, after a steep devaluation of the currency and a severe economic recession in 1982. *Imogen Mark, Santiago*

WTO's blessing for trade groups

Guy de Jonquières reports on the widening debate on the growth of regional economic arrangements

The rapid growth worldwide of regional economic groupings has not so far impeded the development of freer world trade and has sometimes helped to promote it, according to a report* by the World Trade Organisation.

"There have been no fortress-type regional arrangements among WTO members," says the report, which finds no evidence to support concerns that discriminatory trade blocs may be emerging in North America, Western Europe and the Asia-Pacific region.

However, it suggests that, as the world trade policy agenda advances, the WTO may need stronger procedures for deciding whether regional groups are fully compatible with multilateral rules.

The report also expresses doubts about the economic value of non-reciprocal agreements, such as the EU's preferential trade links with the African, Caribbean and Pacific countries.

It says such arrangements provide limited economic gains and can have protectionist consequences, because they enable strong economies to restrict imports from weaker ones in "sensitive" sectors, such as agriculture and textiles. The report, by the WTO secretariat, coincides with mounting debate among trade economists about the longer-term effects of regionalism, and with a revival of political interest in the US and the EU in the idea of a North Atlantic Free Trade Area.

The report does not comment on such an arrangement. But Mr Renato Ruggiero, incoming WTO director-general, recently said it risked antagonising developing countries, which could view it as an exclusionist move.

By the end of last year, the General Agreement on Tariffs and Trade, the WTO's predecessor, had been notified of 108 regional arrangements, 33 of them in the last five years. Almost all the body's more than 120 members were linked to at least one such grouping.

The proportion of world trade conducted within regions had risen from 40.6 per cent in 1958 to 50.4 per cent in 1993. However, there was no evidence that reciprocal regional agreements had distorted trade and investment flows at the expense of the world economy.

Only in the EU had intra-regional trade increased faster than trade with third parties. Nonetheless, EU trade with third parties had continued to expand in line with its members' economic growth.

"It is clear that, to a much greater extent than is often acknowledged, regional and multinational integration initiatives are complements rather than alternatives in the pursuit of open trade," the WTO says.

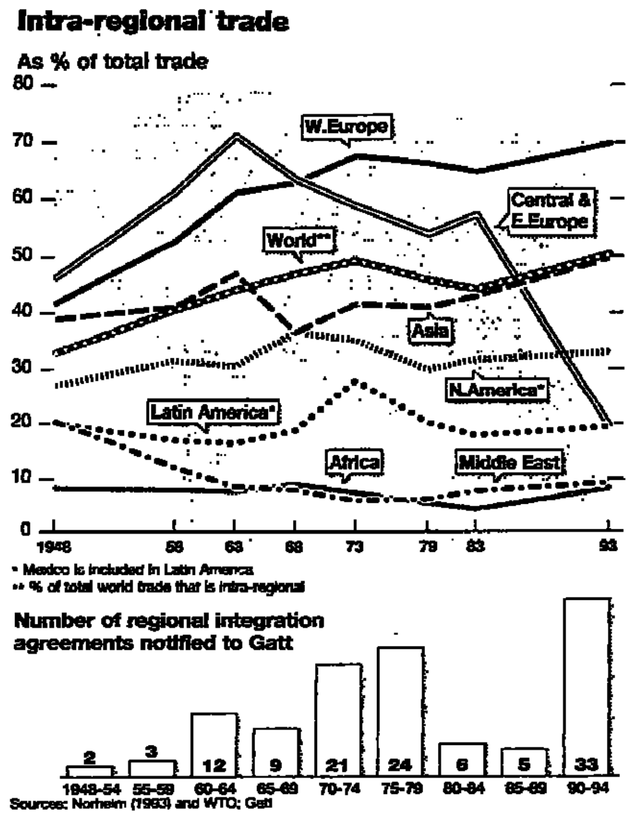
It says some regional agreements have enabled members to accept obligations to liberalise faster than required by the Gatt and have helped stimulate progress at the multilateral level.

However, it emphasised that the Uruguay Round agreement, which took effect this year, embodies commitments on agriculture, goods, services and intellectual property which go further than most regional arrangements.

The report says that while tariff cuts have been the main priority of past liberalisation, future WTO efforts will increasingly focus on non-tariff barriers, services and domestic policies in areas such as investment, competition and the environment.

The report sets out several options for improving procedures in the WTO. They include setting clearer provisions for the enlargement of regional trade groupings and more systematic surveillance of the impact of regional integration on multilateral trade.

Regionalism and the World Trading System. SFr40. World Trade Organisation, Centre William Rappard, 154 rue de Lausanne, CH-1211 Geneva 21. Tel: (4122) 739 5111.



Study highlights US-EU links

By Nancy Dunne in Washington

Recent proposals to deepen the trade and investment relationship between the US and the European Union were yesterday boosted by a report demonstrating the breadth and balance of what has become largest economic relationship in the world.

A study by the European-American Chamber of Commerce found that European companies are now the leading international investors in 39 US states. Almost 3m jobs in the US are directly supported by European investment with 2.5m linked to exports to Europe.

"We constantly hear that the globalisation of our economy is a threat to the wellbeing of workers in the US because multinational companies prefer to invest in low-wage countries," said Mr Will Berry, president of the chamber. "But, in reality, more and more international companies are investing in new plants and equipment and creating jobs right here in the US."

Mr Jeffrey Garten, US undersecretary for trade, delivered a similar message in Brussels this week. Europe, he said, could become the most important single US market for the remainder of the decade. Projected GDP growth of 3 per cent in 1995 "translates into a one-year market size increase of $210bn... This is like finding a new market the size of Taiwan," Mr Garten said.

According to the chamber, the transatlantic economic relationship has expanded to $500bn in cross investments and $224bn in annual two-way trade. Half the jobs in the US created by EU companies are in the high-wage manufacturing sector.

In a state-by-state breakdown, the study said 364,000 jobs in California were supported by manufacturing exports – mostly industrial machinery and electronics – to Europe while EU investment in the state supported 268,300 jobs.

European companies are the largest investors in Ohio, and they are responsible for the creation of 136,100 jobs. Another 92,300 are supported by manufacturing exports to Europe with transportation equipment the largest export.

Europe is New York's largest export market with about $6.4bn in sales from metal industries alone.

Japanese to boost investment in Europe

By William Dawkins in Tokyo

The pace of growth of Japanese manufacturers' investment in Europe is expected to recover this year, after lagging for five successive years, according to the Japan External Trade Organisation.

In a Jetro survey, the projected recovery is a reflection of how the yen's sharp rise of more than 20 per cent so far this year has forced Japanese companies to plan a fresh wave of foreign investment to maintain their international price competitiveness.

By the end of last year, there were 720 manufacturers affiliated to Japanese companies in Europe, 19 more than at the end of 1994, according to the survey. That was the smallest annual increase this decade and a mark of a general retrenchment in investment by Japanese companies, many of which are still generating historically low profit margins because of weakness in their domestic economy.

The faltering recovery of some European economies also played a part in this caution, said Mr Yutaka Miyazaki, director of Jetro's European division. Only half of the companies surveyed were profitable, though most of the other half said earnings had increased. Yet, according to Jetro, investment sentiment is brightening rapidly. Of the total, 55.3 per cent said they planned to expand in Europe, a sharp rise on last year's 45.3 per cent.

This change and growing interest is partly due to the yen's appreciation but also to the growth of central European economies, said Mr Miyazaki. The outlook for local markets is even more important to Japanese companies than the exchange rate as 94.5 per cent of the companies in the survey export to other European Union countries from the European bases. One quarter of the companies export to eastern Europe.

Last year's small number of new Japanese corporate arrivals in Europe compares with the 95 companies during the peak in 1989-1990 when foreign companies rushed to build a base inside the European single market and when European economies were doing well. Of the 720 Japanese companies now in Europe, 205 are in the UK – traditionally head of the Japanese Euro-investment league – followed by France with 111 and Germany with 107.

Existing companies have already started to buy more European-made components, because the yen's rise has made them even cheaper compared with parts imported from Japan. Three quarters of the total bought more than half of their components locally, while 41.4 per cent said they had increased local procurement, up from 36.8 per cent in the previous study.

Airlines notch up first profit in 5 years

By Michael Skapinker, Aerospace Correspondent

World airlines made a collective net profit of $1.8bn on their international scheduled services last year – their first profit since 1989.

Mr Pierre Jeanniot, director general of the International Air Transport Association, said yesterday, however, that the net profit figure represented only 1.6 per cent of revenues.

Mr Jeanniot told a conference in New York that an acceptable level of profit would be 7 per cent. He said: "There is still a long way to go to secure decent future profitability."

Last year's profit figure compares with a collective net loss of $4.1bn for Iata airlines in 1993. During the four years 1990 to 1993, the airlines lost a total of $15.6bn.

Mr Jeanniot said the main reason for last year's profit was lower unit costs. He said there was potential for future cost reductions, provided there were no further oil shocks.

This year, Iata expects airlines' collective net profit to be $5.5bn, or 4.5 per cent of international scheduled service revenues. Although below Mr Jeanniot's target of 7 per cent, it would still be Iata airlines' best profit margin for more than 20 years – before the 1973 oil crisis.

WORLD TRADE NEWS DIGEST

Five seek $1bn rail contract

Five companies, four of them foreign, have expressed interest in building the first railway line on the southern Philippine island of Mindanao, transportation secretary Jesus Garcia said yesterday. He said that Spain's Construcciones y Auxiliar de Ferrocarriles and the Czech Republic's Tatra had submitted proposals to build the $110m railway. US and French companies wanted to participate in the project, but he did not disclose their names. J G Summit, a holding company controlled by Filipino-Chinese tycoon John Gokongwei, had also submitted a proposal. The railway is the first stage of a planned $1.12bn rail network linking all 18 Mindanao provinces. *Agencies, Manila*

■ A consortium of Japan's Mitsubishi Heavy Industries, Mitsui and Sasakura Engineering has won a KD65.2m ($223m) order to build desalination units in Kuwait, Mitsui said yesterday. The consortium will have to plough back 30 per cent of the contract value into Kuwait in the form of joint venture investments, technology transfer or skills training.

The project is believed to be the first non-military contract subjected to counter-trade in the Gulf oil state. Under rules introduced after the 1991 Gulf War ended Iraq's seven-month occupation of Kuwait, offset must be applied to all government contracts of more than KD1m. But in practice the rules have hitherto been applied only to arms deals. *Reuter, Kuwait*

■ Fanuc Robotics has secured a letter of intent from General Motors, the largest US carmaker, for what is claimed to be Europe's largest robot order. Thee Japanese-owned company will initially supply 1,250 robots to GM plants throughout Europe, but the final purchase quantities could be higher. The deal reaffirms Fanuc Robotics' strong links with GM after a setback in 1993, when arch rival ABB Robotics won its first European order from the US carmaker. GM had traditionally bought most of its robots from Fanuc Robotics, which was a joint venture between GM and Fanuc until 1992, when the US carmaker sold its shareholding to its Japanese partner. *Andrew Baxter, London*

■ Com-Tek Resources, the Colorado-based power station constructor and operator, has extended its involvement in power generation in China, with negotiations well advanced for a further 21 units in addition to the 12 announced in January this year. The company plans to build, operate and transfer several larger installations comprising up to six 4MW generators. *Extel, London*

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Transport authority creates own insurer

By Ralph Atkins, Insurance Correspondent

London Transport is breaking new ground for a public corporation by setting up its own insurance company, based in Guernsey, which is expected to cut its insurance bills by nearly £2m ($3.34m) in the first year. London Transport runs buses and underground trains in the capital.

The move is a result of LT's frustration at the high premium rates and tough policy terms set by conventional insurance companies. LT believes that insufficient account is being taken by insurers of safety improvements since the 1987 King's Cross station fire, in which 31 people died.

The decision to set up London Transport Insurance (Guernsey) further extends government efforts to introduce private sector practices into the public sector. The setting up of "captive" insurance companies is widespread in industry with most of the top 100 UK companies owning at least one.

Previously Whitehall has argued that setting up a "captive" is an inappropriate use of public funds. LT is understood to be providing funds running into several millions of pounds for the new company.

Setting up a "captive" insurer allows the parent company to recover profits made on its insurance premiums. If based offshore in a location such as Guernsey or Bermuda, captives can also take advantage of less stringent regulatory requirements than those set by the Department of Trade and Industry.

LT, which has been advised by Willis Corroon, the insurance broker, and KPMG management consultants, is expected to announced that the estimated £1.7m savings in the first year will be reinvested in the underground network.

The move follows the setting up last year of a Dublin-based insurance company to provide affordable cover for privatised London bus companies. LT is the only public corporation to have a captive.

Mr Clive Pracy, head of risk management at LT, said that the organisation had "found itself simply paying too much for its insurance premiums on the open market." He added: "Its safety record was not properly reflected in what was being charged".

Zurich Municipal and Royal Insurance, the main insurance companies which provide cover to LT, will act as reinsurers of London Transport Insurance (Guernsey).

LT annual insurance bill has not be disclosed but the new company will account for about half the total, including public and employers' liability insurance, motor policies and some property insurance. Protection for LT properties against natural catastrophes and insurance against staff fraud will continue to be purchased from conventional insurers.

Expansion of Nato 'no threat to Russia'

By Bruce Clark, Diplomatic Correspondent

Mr Douglas Hurd, the foreign secretary, said yesterday he was sure Nato would enlarge in spite of Moscow's objections, and that there was no reason why this process should be a threat.

While backing calls for a "new security relationship" between Nato and Russia, he stopped short of endorsing any of the more far-reaching proposals that have been aired recently, such as a new Russia-Nato treaty or consultation forum.

In a wide-ranging review of foreign policy at the Lord Mayor's Easter banquet in London, Mr Hurd stressed the role of the nation state as the cornerstone of all international institutions including Nato and the European Union.

He defended the government's new-found stress on Britain's role in the world beyond the EU. He insisted, however, that this did not amount to opting out of discussions about the future of Europe, and that Britain's belief in the nation state was compatible with further development of the EU. "The Union is based on nation states," he said. "It recognises that the nation state remains the primary focus of people's loyalty and aspirations."

While subjects such as internal and external trade needed to be handled by the EU's supranational machinery, others – defence, foreign affairs and crime – were better tackled by co-operation between EU governments, and "many subjects need not come on to the Brussels radar at all".

Mr Hurd struck a firm note over European security and the expansion of the Atlantic alliance. "Nato will expand: I regard that as certain," he said, while cautioning that the process needed "forethought and planning" because of the gravity of the guarantees that would be extended. "If a member of Nato is attacked in the morning, Britain is at war in the afternoon," he added.

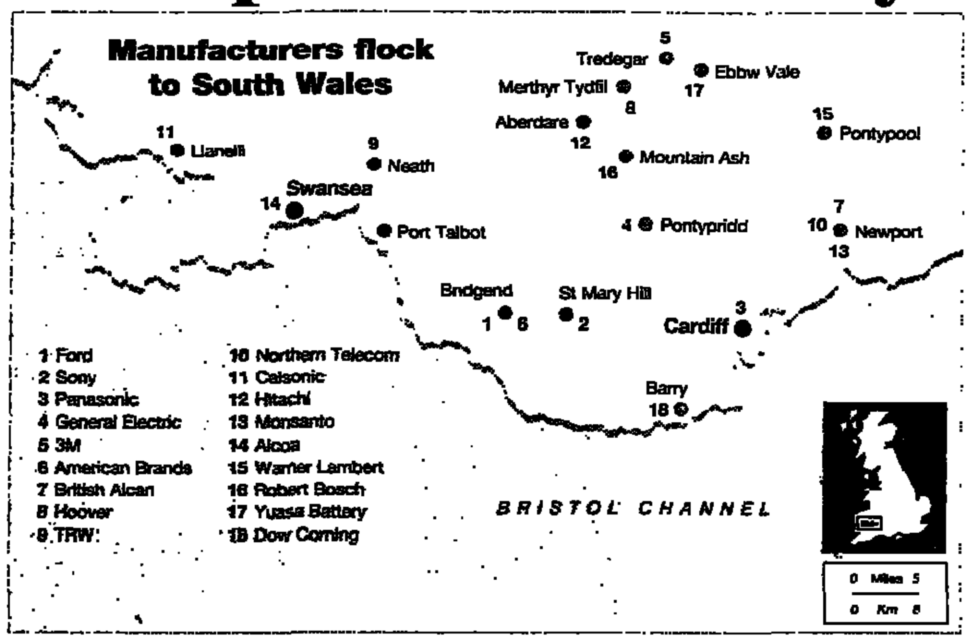
Listing the "strands" of a new Russian-western relationship, he cited Partnership for Peace, the Nato-inspired military co-operation programme; the Russia-EU partnership negotiated last year; and the 53-nation Organization for Security and Co-operation in Europe, which includes the ex-Soviet republics, Europe, Canada and the US.

In practice, co-operation in all the areas cited by Mr Hurd has been badly disrupted recently because of rows over Nato enlargement and western disapproval of the Russian army's behaviour in Chechnya. Mr Hurd said it was "sad and worrying" that the "continued brutality and uncertain outcome" of the Chechnya war had obstructed efforts to forge a new relationship between Moscow and the West.

Dismissing the notion of a threat to Russia, he said: "The Nato allies could not possibly be heirs to Napoleon or Hitler, pointing a dagger at the heart of Russia."

US, Germany and Japan lead the way

In the first of a series about investment in regions of Britain, **Roland Adburgham** examines the attractions of Wales for big companies



Wales, with a population of only 3m, has been among the most successful regions in the UK at attracting inward investment. More than 350 international companies are now established in the region, and employ more than one in five of Welsh manufacturing workers.

The companies have helped Wales to maintain a higher manufacturing base than the UK average. In 1993-94, there were 169 projects from outside the UK – more than half of them expansions of existing investments – with forecast capital expenditure of £765m ($1.24bn).

Most overseas investment has settled in industrial south Wales, close to the M4 motorway, with another concentration in north-east Wales – notably the plants opened by Toyota and Sharp of Japan. The arrival of Japanese companies inevitably attracts most attention.

Since the first was established (Takiron in 1972), there has been an influx of more than 40 others, including Sony, Matsushita and Hitachi. However, it is US companies which have led the way in investment, and about 130 of them have plants in Wales. The employer with a non-UK owner is Ford, while Germany is the second most represented country with companies such as Robert Bosch.

While Japanese companies have ensured a strong base in electronics, there has also been significant foreign investment in the automotive, chemicals and healthcare sectors. Although the early arrivals tended to be "screwdriver" plants, with Wales seen as a springboard into mainland Europe, many have subsequently matured their operations. Plants have become less biased to assembly only, and research and development activity has risen. Fears that branch plants might be vulnerable during the world recession were not fulfilled.

A key to securing projects has been the international activities of the Welsh Development Agency, a publicly-funded body with an overall budget this year of £153m. The agency's property development programme has ensured a ready supply of industrial buildings.

The Welsh economy research unit at Cardiff Business School attributes the inward investment success to rapidly improving infrastructure, high levels of regional aid from the government and low relative wage levels – although in manufacturing they are not lower than the UK average.

The unit estimates that Wales, with just over 4 per cent of the UK workforce, has received more than two times that share of new road spending and at least four times that share of regional aid. A further improvement to infrastructure will come next year with the opening of a second bridge over the River Severn between south Wales and England. And, although the government has reduced regional selective assistance in geographical terms, large parts of Wales still qualify.

Cardiff Business School has found that unit labour costs have been brought below those in other regions, with inward investors likely to have played a big part in this. Employers from outside the UK often say they find their Welsh workforces flexible and stable. Industrial disputes are rare and, in particular, Japanese working practices were readily accepted at a time when they were novel to UK industry.

Wales also appears popular as a posting for overseas managers. A survey* of Japanese managers found that they liked the general working environment, the opportunities for career development and sport, and the warm welcome.

With foreign-owned operations becoming more technologically advanced, and large projects harder to win, concern has risen at the need to upgrade the skills of the workforce. Recently Panasonic of Japan spoke of its difficulty in finding suitable apprentices, confirming a report** last year by the Centre for Advanced Studies at the University of Wales.

This report said the lack of labour skills was most acute in the craft and technician category. It described as "woefully inadequate" the vocational education and training system in Wales – in common with elsewhere in the UK.

*Working for the Japanese, (Morris, Munday and Wilkinson), Athlone Press. **Welsh Renaissance: Inward Investment and Industrial Innovation. Centre for Advanced Studies, University of Wales, College of Cardiff.*

■ Vast Churchill collection will stay in Cambridge ■ Getty funds help to meet cost

Lottery cash helps secure historic archive

By Antony Thorncroft, Arts Staff

The Churchill archive, the main collection of papers relating to Sir Winston Churchill, has been saved for the nation. The Heritage Lottery Fund has given £11.5m ($18.6m) to Sir Winston's heirs to secure about 1.5m items held at Churchill College in Cambridge University. A further £1.75m was provided to conserve and manage the collection.

The heirs of Sir Winston, who was Conservative prime minister from 1940 to 1945, include his grandson Mr Winston Churchill, who is now a Conservative MP. The grant was the largest of nine announced yesterday by the fund, which receives a fifth of the share of National Lottery revenues allocated to "good causes".

The other main beneficiary was the National Trust for Scotland which was given £10.2m to acquire the Mar Lodge estate in the Cairngorms – 31,000 hectares of moorland and mountain containing four of the six highest peaks in the British Isles.

The Churchill archive has been a cause of controversy for years, with the government and family disputing the ownership of some of the papers. The collection ranges from some of his earliest school reports to the typescript drafts of his some of his most famous wartime speeches. Churchill memorabilia have been rising in value recently – four autographed letters sold for £67,000 at Christie's in London last year.

Lord Rothschild, chairman of the heritage fund, said yesterday that the price agreed with the family's trustees was "very reasonable". The sum was boosted by a further £1m from Mr J. Paul Getty.

The total archive, including the post-1945 papers presented by Lady Spencer-Churchill, widow of Sir Winston, to Churchill College, is valued at more than £35m.

Mar Lodge estate is an important conservation area and one of the last wild places in the land. The lodge itself was built by Queen Victoria in 1895 for one of her granddaughters.

Mr Stephen Dorrell, national heritage secretary in the Conservative government, said the National Lottery had already amassed £400m for the five good causes – the arts, heritage, sport, charities and the Millennium Fund.

The introduction of scratchcards had increased revenue to £25m a week and the good causes were on target to share the forecast £1.5bn a year.

Camelot, organiser of the National Lottery, yesterday cancelled the contracts of three retailers because of "alleged irregularities" in sales of "Instants" tickets. The contract of a fourth was suspended during investigation. Instants, which cost £1 ($1.60), are scratchcards sold at corner stores on which the top prize is £50,000 compared with up to £17m on the main lottery.

The moves came two days after a retailer in Salisbury, south-west England, had his equipment confiscated by Camelot after suggestions that he had tried to cheat customers out of prizes.

Camelot said retailers had been accused of defacing tickets in an attempt to discover whether they contained winning combinations. "We will continue to deal swiftly and severely with any retailer who behaves dishonestly," said Mr Neil Dickens, Camelot security director.

Kluge is thanked for 'generous gift' in Scotland

By James Buxton, Scottish Correspondent

The National Lottery has removed the obstacle which has kept one of the greatest estates in the Scottish Highlands in a deteriorating state of limbo for more than four years. In a complex deal Mr John Kluge, the US media multimillionaire will receive £5.5m ($8.9m) for the Mar Lodge estate. That is much less than the £10m Mr Kluge was asking when he put the estate on the market in 1991. He had bought it in 1989 for £7m.

Mr Kluge bought the estate as a present for his wife Patricia, a former model, allegedly to satisfy her desire to become a neighbour of the Queen, whose land at Balmoral adjoins Mar Lodge. But the couple divorced in 1990, and early the following year Mr Kluge's enchantment with Mar Lodge was further diminished by a fire which devastated the vast lodge, where a project to upgrade it to a state of luxury had only just been completed. Mr Kluge decided to sell.

The National Trust for Scotland was careful yesterday to thank Mr Kluge and Mar Lodge Estate for "the generous gift of Mar Lodge," implying that it is getting the property for less than its full value.

Only £1.5m of the Heritage Lottery Fund grant will go to the purchase price. The Trust will pay the rest from a gift of more than £4m from the Easter Charitable Trust, a little-known private trust.

The bulk of the lottery money will form an £8m endowment to provide for the running of the estate "on a sustainable basis for the benefit of the nation." Though the estate will not be run for profit and only part of its will be used for shooting and stalking game, the sum gives a hint of how much rich owners of Highland estates have to pay to operate their properties. The National Trust will now start reducing the excessive number of deer at Mar Lodge, now totalling about 3,000.

PM frets about selling nuclear power stations

David Lascelles explains how figures could be juggled to meet the shortfall that would result from abolishing the levy on fossil fuels

The hint from Mr John Major, the prime minister, that the nuclear levy on fossil fuel might be scrapped as a sweetener for the privatisation of the nuclear power industry has prompted delight and disbelief. Delight from electricity consumers who could see their bills cut next year, and disbelief from sceptics who say the government will still need the money and will have to raise it in taxes instead of charges to consumers.

The levy, introduced in 1990 to subsidise power generation by non-fossil fuels, is a 10 per cent surcharge on all electricity bills, though few consumers know about it as it is not itemised on their bills.

Some of the money raises by it supports "green energy" such as wind farms. But the bulk goes to Nuclear Electric, the state-owned operator of nuclear stations in England and Wales, to help it dispose of nuclear waste and decommission old power stations. Scottish Nuclear gets a subsidised price for its electricity instead of a levy – abolishing that would knock 2 per cent off bills. The levy was designed to run for eight years to 1998, and raises about £1bn ($1.6bn) a year. So if it is scrapped in 1996, there will be a shortfall of about £2bn.

Officials at the Treasury and the Department of Trade and Industry must have been poring over the figures, and have come up with a good enough solution to the shortfall to encourage the government to consider its bold plan.

The arithmetic probably runs as follows. Nuclear Electric will be split in two ahead of privatisation. One part will consist of the modern AGR and PWR stations which will be privatised with their liabilities fully funded from Nuclear Electric's cash resources, including past levy receipts. The other part will consist of the older Magnox reactors. Nuclear Electric says their liabilities will be about £9bn, which the government will have to pay for. These would be funded in a number of ways – there will be about £2.6bn in cash left over from the privatised entity; the Magnoxes will continue to generate profits of which could be another £2bn; the switch to a longer decommissioning timetable (due to be approved by the nuclear regulators this year) will produce savings of about £500m, and the proceeds of the privatisation itself could be about £2bn. This totals just over £7bn. The resulting shortfall of £2bn was supposed to have been covered by the last two years of levy receipts.

However, there is considerable flexibility in the numbers, and there are several ways the government could try to bridge the gap. For example, the profits from continued Magnox operation were estimated on the basis of a 36-year working life. The average life has already gone up to 37 years and some Magnoxes have now been licensed for 40 years, so they will generate much more cash than first thought.

Second, the proceeds of privatisation could be more than £2bn. If Nuclear Electric is merged with Scottish Nuclear as now seems likely, the sale could realise as much as £3bn.

Third, the costs of disposing of radioactive waste and decommissioning power stations could reduce as technology is refined so the final bill could be less than £9bn.

Fourth, the government – unlike commercial companies – is under no obligation to make provision for its liabilities: it could pay for them as they materialise. And since most liabilities will not fall due for a decade or so, the problem could be left for some future government to deal with.

This means that the Treasury could even scrap the nuclear levy and still use the privatisation proceeds to fund a pre-election tax cut.

The appeal of abolishing the levy must be strong. It has always been unpopular, particularly with industry, which has been more aware of it than the domestic consumer.

UK NEWS DIGEST

Private sector help sought in 'ghetto' districts

Mr John Major, the prime minister, condemned "ghetto estates" in inner cities as "monuments to the failed history of socialist planning". He promised to work with private companies and municipal authorities to tackle the high-rise blocks and barren estates that wrecked communities and robbed them of ambition and self-respect. "Many were built as solutions to inner city problems," he said in a speech to the Social Market Foundation. "Ironically, they have now become major contributors to the problem. There they stand, grey, sullen, concrete wastelands, set apart from the rest of the community, robbing people of ambition and self-respect."

The opposition Labour party accused Mr Major of hypocrisy because two of the most notorious blocks in south London were built when he was chairman of the housing committee for the area. The party said that in 1971 Mr Major had recommended "as a matter of urgency" a trip at public expense to Poland by London housing officials to study socialist planning.

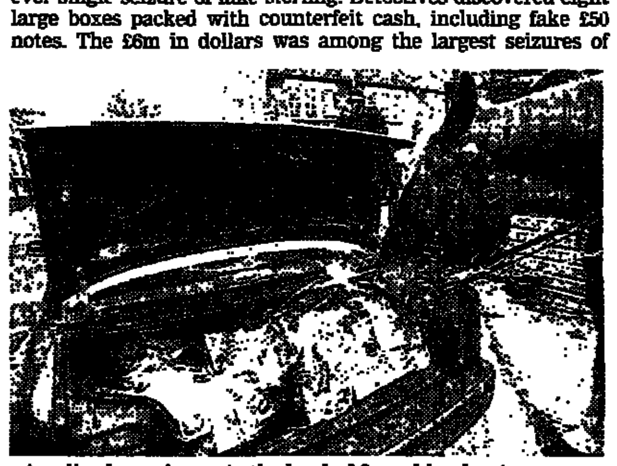
His call yesterday for urgent action is likely to lead to local housing companies, formed jointly by the private sector and public authorities, to renovate the council's housing stock and provide new social housing. In spite of Baroness Thatcher's "right to buy" policy of the 1980s, housing owned by municipal authorities still accounts for 18 per cent of England's 20m homes. About half of these 3.6m council properties are concentrated in inner-city estates, many severely run down. *PA News*

Disc drive maker adds 300 jobs

Seagate Technology of the US, the world's largest independent manufacturer of disc drives, is to expand its wafer fabrication plant in Londonderry, Northern Ireland, with a £60m ($97.2m) investment creating 300 more jobs. The plant, where Seagate has already invested £64m and employs 552 people, is the European base for the company's manufacture of thin-film heads for computer disc drives. Northern Ireland's Industrial Development Board will contribute £11.1m, bringing its contribution to £30m, including money for the research and development centre Seagate established in 1993.
John Murray Brown, Belfast

Forged $100 banknotes found

Counterfeit banknotes with a face value of more than £18m, ($29m) a third of it in $100 bills, were seized by police when they raided a lock-up garage in east London. It was the biggest ever single seizure of fake sterling. Detectives discovered eight large boxes packed with counterfeit cash, including fake £50 notes. The £6m in dollars was among the largest seizures of fake US currency in the UK. Police believe the forged notes were being stored ready for distribution – and are confident they have smashed a counterfeit operation that has been running for at least two years. *PA News*



A police horse inspects the haul of forged banknotes

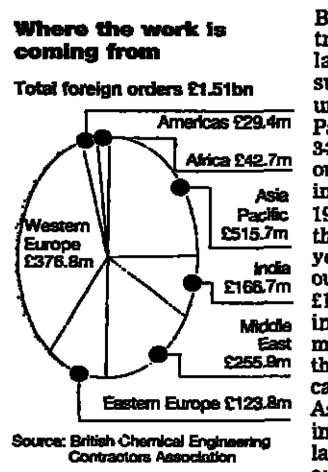
Monarchs halve ticket prices

London Monarchs, one of Britain's few American football teams, have cut ticket prices by more than half for their remaining home games this season after attracting only 8,763 fans to a London soccer stadium last Saturday. The Monarchs had hoped for a crowd of more than 15,000 for their first home match in the revamped World League against Amsterdam Admirals. Mr Gareth Moores, the Monarchs' general manager, said: "What we have is the best value for money with respect to sports entertainment in London. I am convinced that once new fans have been to a game they'll keep coming back for more. We know how it will take two to three years to make our mark and we're prepared to go that extra mile." *PA News*

Polly Peck payment soon

Creditors of the business empire of Mr Asil Nadir are likely to receive their first cash payments soon – 4½ years after the collapse of Polly Peck International. Its administrators said 99.9 per cent of creditors had supported an interim dividend payment of 2p in the pound on claims at 1990 levels. If approved by the courts the creditors' agreement will establish a system whereby future payments will flow smoothly to those owed a total of £1.4bn. Creditors will be asked to lodge claims to May 1995 within a fortnight, with a payment in July. At 1995 levels the debt will stand at £2.3bn and the dividend will be equivalent to 1.1p in the pound.
Jim Kelly, Accountancy Correspondent

Asia-Pacific orders surge



Britain's process plant contractors had a bumper year last year, with new orders surging 76 per cent to just under £4bn ($6.5bn). The Asia-Pacific region accounted for 34.1 per cent of orders from outside the UK, after accounting for only 11 per cent in 1993. UK new orders more than doubled to £2.46bn last year, while all orders from outside the country rose from £1.06bn to £1.51bn. Half the increase came from three major projects, one of them in the UK, but the British Chemical Engineering Contractors Association warned that order intake this year may not reach last year's level. Even so, the outlook is encouraging, said the association, which represents the 18 main contractors operating in the UK. "Members continue to operate in a fiercely competitive domestic and international market," said Mr Tony Brimble, chairman. "We are, however, seeing an upturn in major capital projects." *Andrew Baxter*

Prayers against racial hatred: Churches of all denominations were urged to pray for an end to racial hatred on the country's first Racial Justice Sunday in September. Dr George Carey, the archbishop of Canterbury, the senior prelate in the Protestant Church of England, said: "Please remember those who suffer because of racial prejudice and those who need help to overcome racial hatred in their hearts."

Rude awakening: A man went back to sleep after being woken by the sound of thunder, unaware that lightning had blasted a hole in the roof of his home in Reading, 70km west of London, and had started a fire. A passing policeman saw smoke coming from the roof and the householder was awakened again when firefighters banged on his door and ordered him to let them in.

TECHNOLOGY

Human tissue 'not for sale'

Human tissue – cells, blood and organs – is not a commodity and should never be bought or sold, according to the leading UK bioethics panel.

The Nuffield Council on Bioethics, an independent committee of legal, ethical and medical experts, says the UK should resist the temptation to organise the removal or collection of human tissue along commercial lines, as in the US. This might increase donors but would be fundamentally unethical.

Dame Rosalinde Hurley, chairman of the human tissue study, says: "Any payment to donors may cover reasonable expenses only.

"We believe that everything should be done to encourage the altruism of donors in the hope that more will come forward," she says. Because human tissue should not be regarded as property, donors ought never to benefit commercially from it.

The legal and ethical difficulties were highlighted by the US legal case in which John Moore, a leukaemia patient, sued the University of California after a cell line derived from his spleen turned out to be a valuable source of biotechnology products.

Ian Kennedy, head of the law school at King's College, London, says: "British law is opaque at best on the legal status of human tissue and whether it can be regarded as property. One looks to Victorian precedents about body stealing to try to fashion law at the end of the 20th century."

The uncertainty highlights the "urgent need to consider, clarify and, where necessary, strengthen the ethical and legal framework within which the clinical and research uses of human tissue take place", the report says.

Human Tissue: Ethical and Legal Issues, published by the Nuffield Council, 28 Bedford Square, London WC1B 3EG. £10.

Clive Cookson

The software industry is focusing on an increasingly complex electronic world, writes Sheila Jones

Objects of desire

There is a joke that still goes down well in the software industry: how many Microsoft engineers does it take to change a light bulb?

None. Bill Gates declares darkness the industry standard.

Even Tom Honeybone, a Microsoft marketing manager, chuckles. The joke refers to the way that Microsoft established its Windows software as the de facto standard on the desktop.

"We are not trying to foist anything on the industry," he says. "The market will decide." Honeybone is talking about Microsoft's latest item aspiring to be an industry standard: Ole – Object Linking and Embedding, pronounced *Olé!*. It is software designed to work with an emerging technology that promises to revolutionise the way we work: object orientation.

OO should cut costs, increase productivity, speed system updates, and generally make life easier for information technology managers. It is seen as a technology that may be vital if business managers are to cope with the increasing complexity of the electronic world. The industry promises it is more than a fad.

Its success depends in part on the industry's ability to agree standards that will allow users to buy any software component – or object – that will work on any PC, minicomputer or mainframe, in any system or network, and with any other piece of software. It is a tall order for such a competitive industry, but the foundations are being laid. Strategic alliances have been formed to bring the technology to the market. And while there is much talk of co-operation, competition for standards is fierce.

OO has been around for decades, but it is only just starting to move from the programmer's lab into the real world. It is essentially a new way of writing software and of creating an interactive computer world: components are created that are defined by task; they can be fitted together to build a customised and flexible computer environment. Reusable components can be added or taken away to enhance or update a system. A component might be a customer list, or for a manufacturer it might be a pump.

"OO is like Lego," says Staffan Ahlberg, managing director of IBS, a Swedish software company in which IBM has a 10 per cent share. "The bricks can be built into whatever the company wants. They fit together and can be taken apart and re-used to build something different. And they are compatible with Duplo, the bigger building brick." IBS is spending $40m (£24.6m) on developing its OO strategy over the next four years.

Components should more closely resemble a manager's real tasks than a standard package designed to do everything for every business. The technology should speed up the writing of new programs. If a modification is needed, a component can be easily pulled out, rewritten and slotted back in. Disruptive overhauls should be unnecessary.

The main benefit, according to Honeybone, is that OO technology will ultimately solve the problem of *integration between the different* applications that people have on their desktops, mid-range systems or mainframe.

This is where the arguments start. Microsoft says it is committed to co-operating with the industry to create standards in an inter-operable world. IBM, its arch-rival, says Microsoft is doing its own thing and will hold up the whole market.

So far, the industry has focused on developing a framework within which the technology will work, creating programming languages and tools for the development of object systems. The creation of *standards to allow OO to work* across disparate systems is being co-ordinated by the Object Management Group, a forum of more than 400 software users and vendors, including IBM, Microsoft, Apple Computer and Hewlett Packard.

The starting point for enabling objects to send and receive messages is the OMG's Corba (Common Object Request Broker Architecture) standard messaging system. Several of the large software companies, including Apple, IBM and Hewlett Packard, through their Taligent joint venture, have said they will support the OMG standard, but there is no guarantee that all the big companies will go along with it.

Microsoft has developed Ole, which operates on Windows and Macintosh systems. The company "has chosen not to play", as one industry analyst puts it. "It is not the only one. Sun Microsystems is sometimes on the bus and sometimes not." Sun points out that it is a founder OMG member and is "totally committed", while Microsoft argues that it, too, is co-operating with the OMG, and is trying to *develop a system* that will bridge the gap between Ole at the desktop, and Corba at mainframe level.

Steve Mills, IBM's chief OO strategist, says IBM will be better prepared in a rapidly changing market with products such as its SOM and OpenDoc object communication standards that are compatible with other systems.

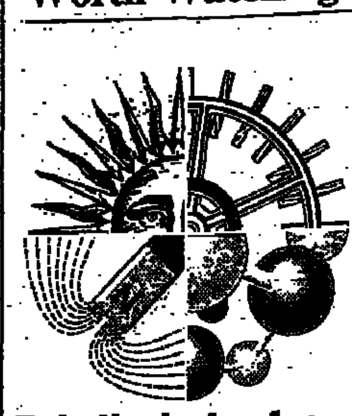
Today's desktop – where Microsoft currently dominates – will change "beyond recognition" in the next 20 years. "It will need a broad base of industry standards," says Mills. Microsoft's approach simply means "more work" in reaching that base.

Some software users fear that moving to OO will mean throwing out millions of dollars worth of software and starting from scratch. Mills believes the shift will be incremental, although some in the industry say it might still require a heavy initial investment.

Inter-operability and standard, off-the-shelf objects are still a long way off, but "scores of corporate *developers are already implementing* large-scale OO applications to run important segments of their business", according to a recent Taligent study. Companies such as American Airlines, ICI, Texas Instruments and Eastman Kodak are using OO software languages and tools to create customised packages. Rapid development times and reusability of programs are cited as the main reasons for adopting the technology.

Many small software companies committed to OO are putting together packages tailored to their customers' needs. Object Oriented Technologies, a UK management buyout, has produced packages for *health care companies and firms in* the financial sector. "OO is in its youth, but it needs an infrastructure and component standards," says Chris Nugent, sales director. "As a technology it is the obvious solution."

Worth Watching · Vanessa Houlder



Robotic device for brain surgery

A robotic device that could enable brain surgery to be performed with greater precision has been devised by a Swedish company.

The SurgiScope system, developed by Elekta Instrument, stores scanned data about the brain in a computer. When the surgeon selects an area to treat on the scanned image, a robotic tool-holder correctly positions the microscope on the corresponding area of the patient's brain.

The surgeon removing a tumour can then monitor progress on the scanned image, where the outline of a tumour is easier to see than in the brain itself.

Elekta Instrument: Sweden, tel 8402 5400; fax 8402 5500.

Cleaner water for shrimp farmers

Pollution can devastate shrimp farms, as toxins increase the shrimps' vulnerability to infection. Farmers try to deal with the contamination by changing the water, but this is *expensive and transports the* pollutants elsewhere.

Epicore Networks, a Canadian company, believes it has developed a cheaper, more effective, solution with a microbial product that produces enzymes that break down waste. The product, called Epicin, has been trialled in Indonesia, where it reduced the concentration of ammonia, nitrite, nitrate and phosphate in the water.

Epicore Networks: Canada, tel 233 8900; fax 233 8914.

Sonar guidance for wheelchairs

Some disabled people find steering electric wheelchairs through doorways and down corridors prohibitively difficult. Engineers at Portsmouth University are tackling the problem using sonar guidance technology developed for robots.

Miniature ultrasonic sensors are installed which use sound measurements to gauge the chair's distance from a wall or door. An on-board computer can then make fine adjustments to the path of the chair.

The sensors are being added to wheelchairs by Quest Enabling Designs, a Gosport-based company, which plans to bring wheelchairs fitted with multi-functional computers to the market at a cost of around £4,000 in 18 months' time.

The funding for the first phase of research, which has just been completed, was provided by the charity Action Research.

University of Portsmouth: UK, tel (0)1705 842565; fax (0)1705 842351.

Speeding telecoms information flow

Bell-Northern Research, the research and development subsidiary of Canada's Northern Telecom, has developed a technique of switching massive amounts of information at terabit speeds – more than a million, million bits of information per second.

The company believes such technology will be needed in the next century to cope with the greater quantity of information moving through telecommunications networks because of the proliferation in multimedia services.

The system involves electro-optical technology and a technique known as wavelength *division* multiplexing, which transmits information in four separate wavelengths.

Bell-Northern Research: Canada, tel 763 2211; fax 763 4504.

Mountain-top view of the weather

Weather forecasting in Scotland's mountains is being enhanced by the installation of a tiny smart camera with on-board processing capability in the weather station on the summit of 1,245m-high Cairngorm, writes James Buxton.

The camera, an Imputer made by VVL, trading arm of Edinburgh-based Vision Group, snaps the view every half-hour and transmits it by low band width radio for analysis.

VVL: UK, tel (0)131 539 7111; fax (0)131 539 7141.

هكذا من الاصل

Cinema/Stephen Amidon

Legend turns into a tall tale

LEGENDS OF THE FALL **Edward Zwick**
CAPTIVES **Angela Pope**
EXOTICA **Atom Egoyan**
EYES WITHOUT A FACE **Georges Franju**
THIN ICE **Fiona Cunningham Reid**

Legends of the Fall is an unabashed, full-blown melodrama that will be best enjoyed if taken far less seriously than intended. Based on Jim Harrison's 1978 novella, it traces the catastrophic fortunes of the Ludlow clan as they battle the world in early 20th-century Montana. Like the family it portrays, the film starts out strong, only to fade into chaos and hyperbole.

The Ludlow patriarch (Anthony Hopkins) is a former US Army Colonel who resigns his commission in disgust at the treatment of the Plains Indians. He retires to the rugged western wilderness, where he raises three sons with the help of a sagacious old Cheyenne warrior. His idyll is eventually shattered, however, by the debased civilisation he sought to escape. His youngest boy Samuel (Henry Thomas) is killed in the first world war, leaving his middle son Tristan (Brad Pitt) consumed with grief and guilt that drive him around the globe for a half-decade. To make matters worse, the eldest, Alfred (Aidan Quinn), becomes a celebrated member of the government the Colonel so despises. In the Roaring Twenties things fall further apart – there is a broken marriage, a murder and then a suicide. It is only a showdown stemming from Tristan's activities as a bootlegger that finally brings the family back together.

For a while, Edward Zwick's film is a passionate, rip-roaring view of a clan being ground to bits by a century in which it does not belong. With their god-like patriarch, unstinting filial devotion and deep love of the untrammelled land, the Ludlows suggest an Edenic perfection, a family that is a world unto itself. The story's tragic irony is that boys do not care about paradise – they want more earthly adventures.

Brad Pitt is eminently watchable as he portrays this youthful energy smashing against the rocks of the tumultuous world. Although his flowing locks and fashion-spread preening seem a bit out of place in the 1920s, his performance is shot through with a barely controlled passion, particularly when he resorts to scalping German soldiers in revenge for Samuel's death. Quinn and Thomas are also fine as his very different brothers, as is Julia Ormond in the tricky role of the beauty beloved by all three.

Unfortunately, like the officers commanding the Ludlow brothers in Flanders, director Zwick allows his film to go over the top once too often. He ladles too much importance into what should have been a cracking family saga. The film is too long by a good half-hour, allowing in bogus spiritualism, redundant mountain panoramas and overly fraught encounters. And the concluding shoot-out is both long in coming and short on credibility. Worst of all is Hopkins, who cooks up a great smoked ham of a performance. His frenetic sputterings as the stroke-ravaged Colonel remind us that a film that wants to be a legend sounds a lot more like a tall tale.

★

Captives is another movie that starts out strongly only to lose its way. Angela Pope's feature debut is the story of Rachel (Ormond, again), a recently divorced dentist who finds work in a London prison, where she meets an intriguing convict, Philip (Tim Roth). They commence a clandestine affair, though their happiness is threatened when Rachel discovers that her lover is in prison for killing his wife. Matters grow thornier when Philip's co-prisoners try to force Rachel to sneak drugs and weapons into the jail.

The film's early moments are plausible and affecting, thanks largely to some deft writing by Frank Deasy and good performances by the leads. Roth is particularly beguiling, combining innocence and danger in a way that makes credible his attraction for a lovelorn yuppie. And the film's suggestion that there is an erotic undertow in dentistry is a truism of modern life that is too-seldom probed.

Unfortunately, what promised to be a quirky story of bar-crossed lovers soon becomes a decidedly rote thriller. The concluding spasm of violence resolves none of the emotional issues raised in the early scenes. What started out as an intriguing mind game winds up as hackneyed gun play.

★

The Canadian director Atom Egoyan has always been easier to admire than like. Up to now, his films have proved puzzles with few clues and no real solutions. With *Exotica*, however, Egoyan has made an accessible, compelling movie. This time, the psychosexual conundrum can be solved by the viewer.

The film's action is centred around a high class strip club, where Francis (Bruce Greenwood), a grief-stricken tax inspector, nightly hires the services of a young private dancer (Mia Kirshner) to soothe his anguish. By day, he audits a homosexual pet shop owner (Don McKellar) who is involved in the illegal importation of exotic bird eggs, while by evening he employs a teenage babysitter to "look after" his daughter, who was found murdered several years earlier. Back at the club, meanwhile, a brooding disc jockey (Elias Koteas), jealous of Francis's intimacy with his beloved stripper, plots to ruin him.

Although the film's various storylines appear to be unrelated at first, Egoyan ultimately draws them cunningly together in a network of grief and loneliness. His characters all hunger for the exotic in an effort to forestall their pain; they all want to return to some prefab Eden. Each fails, yet these failures lead to more real, more lasting connections. *Exotica* is a superb film – subtle, nuanced and deeply moving.

An equally uncompromising view of the human condition is on display in Georges Franju's *Eyes Without a Face*, re-released this week 36 years after its debut. Time has done little to dampen the power of this bleak story of an arrogant surgeon (Pierre Brasseur) who kidnaps young women in order to slice off their faces and graft them on to his mutilated daughter (Edith Scob).

Although still effective as a deliriously warped horror flick, what is most impressive about the film is its stark beauty. Franju is nothing if not a poet, and his finest film is shot through with unforgettable imagery. Its final scene, in which the still-ravaged Scob wanders into the night surrounded by wild dogs and escaped doves, is one of the most powerful finales in cinema history.

A performance shot through with a barely controlled passion: Brad Pitt, eminently watchable in Edward Zwick's 'Legends of the Fall'

Thin Ice is a movie whose admirable intentions are not always matched by the talent on display. Fiona Cunningham Reid's story of a lesbian ice dancer (Sabra Williams) who enlists an apparently straight partner (Charlotte Avery) for her same-sex routine at the Gay Olympics is good natured and occasionally incisive, at times bringing to mind such feel-good fare as *Strictly Ballroom*. Budgetary constraints, dead-slow pacing and a paltry story line, however, saddle it with an unshakeable air of amateurism.

Obituary

Ginger Rogers

Ginger Rogers, one of the century's classic American girls, was born on July 16, 1911, and died this Tuesday.

Few things in cinema are more touching than the way Ginger Rogers listens. When Fred Astaire sings Irving Berlin's "Cheek to Cheek" (*Top Hat*, 1935) or George Gershwin's "They Can't Take That Away From Me" (*Shall We Dance*, 1937) to her, the eloquence of his singing finds its ideal focus in her face. Her expression is economical in the extreme. She simply shows that she listens to him with her entire being – with angelic gravity in the former, with heartful wonder in the latter.

In most of these cases, of course, the listening leads into one of their great dance duets. It is true that only with Rogers do Astaire's duets achieve an expressive beauty beyond his solos in each movie, and that only with Rogers and Astaire does dance in the movie musicals become a medium of serious emotion.

She was married five times, and she went on acting in films up to 1965 and onstage until 1984. Her career had reached a neat conclusion in her unpretentious, amiable, though undistinguished 1991 autobiography, *Ginger: My Story*. After 1945 her film performances show her behaving with a new artifice, like a conscious icon. But her finest performances are in the films of her first 15 years in Hollywood, 1930-45: not just in the Astaire musicals but also opposite Katharine Hepburn in *Stage Door* (1937), James Stewart in *Vivacious Lady* (1938), David Niven in *Bachelor Mother* (1939), Adolphe Menjou in *Roxie Hart* (1942). She won an Oscar for her performance in *Kitty Foyle* (1940), but she is best in comedy. Several of her performances are among the peaks of Hollywood romantic comedy's golden age, and their excellence is often overlooked because she is so simple, so un-diva-like, so spontaneous. Her whole manner – a witty, romantic, and highly laconic blend of sense and sensibility – epitomises the tone of her era.

Paradoxically, although the Astaire movies will render Rogers's dancing immortal, the beauty of her dancing has been continually underrated. Her contemporaries Ruby Keeler, Eleanor Powell and Anne Miller put up a bigger dance display, and the sheer virtuosity of Miller and Powell is beyond question. But for sheer beauty of dancing Rogers surpassed them all. It would be worth watching some of her non-dance films – *Vivacious Lady, Bachelor Mother, Tom, Dick and Harry, Roxie Hart* – if for no other reason than the tiny little dances she contribute to them: funny, lithe, touching, characterful. Blest with a ravishing body and especially shapely legs, she showed, like Astaire, that dancing is not just for the feet; her torso and back are always pliant and alive. The choreographer George Balanchine liked to say that he came to America to see the land of girls like Ginger Rogers. Her films show us why he said so.

Alastair Macaulay

Ginger Rogers and Fred Astaire in 'Swing Time', 1934 Hulton Deutsch

Theatre/David Murray

Austere but enchanting Midsummer Night's Dream

Warmly acclaimed at Stratford last summer (though Alastair Macaulay voiced some reservations on this page), Adrian Noble's staging of *A Midsummer Night's Dream* has now arrived at the RSC's London base in the Barbican. It is scenically austere, and yet properly magical; the verse-speaking is excellently clear and searching; the large contingents of schoolchildren in the press-night audience were delighted by the physical comedy. Could one want more? I think one might – but this is still a very good *Dream*.

Anthony Ward's designs leave the stage all but bare: a three-sided scrim that goes up and down, some doors embedded in the backdrop, and from time to time two beftier doors which spring up from the floor. For the "wood near Athens" of the three night-time acts in the middle, a starry constellation of domestic light-bulbs (both pearl and transparent) fills the air in depth. Titania's bower is a giant red umbrella, inverted and suspended. The compound of prosaic modernity and simple magic is enchanting, like all of Chris Parry's dramatic lighting.

What we do not get is any sense of a dark, trackless wood, nor therefore of the four lovers' radical disorientation. (Perhaps Noble decided not to compete with Robert Lepage's glorious mud-puddle at the National.) Rather, we stay quite literally indoors; those doors are regularly called into comic service during the forest misadventures (Lysander and Demetrius blunder in and out of them, and for a while they keep Hermia trapped behind one) – more farcical than eerie or dismaying.

As is almost standard practice now, two players double as Theseus/Oberon and Hippolyta/Titania; also Philostrate/Puck, to less purpose, and the "rude mechanicals" with the bit-part fairies to no purpose at all. (The original doubling is often credited to Peter Brook's revered 1970 production, but wrongly: a year or two earlier a fine Salzburg Festival production – in the luminous old Tieck translation – had done that already, and made better sense of it than any version I've seen since.) Stella Gonet's pair of vital Queens are nicely matched, but Alex Jennings' two Kings are obviously the main point.

From the start his Theseus is obstreperously languid, in arch Noel Coward style; released into his fairy role, he becomes a voracious queen. Though Barry Lynch's Puck is plainly his devoted catamite, he cries aloud – always elegantly – for Titania's little Indian boy, whom we never see, and gloats darkly over her spellbound lust for Bottom in his donkey-guise. If all the fairy-play is a dream, as the doublings suggest, just whose dream is it? We never know.

Lynch's Puck is sinuous and narcissistic, bare-chested and pantalooned; hardly a trace of the lusty folklore-imp remains. Bottom is Desmond Barrit, grandly overweening but not so disarmingly eager as the best Bottoms: he operates in a private world of his own. The lovers are prosaically bright – Emma Fielding and Emily Raymond as the girls, teed off in the usual way as "dwarfish and low" v. "painted maypole"; Toby Stephens' brittle, junior-heroic Lysander; Kevin Doyle's baffled Demetrius, weakly protesting and practicedly funny.

Towards the end, when Demetrius declares that his undying love for Helena has supplanted his undying love for Hermia, we have no reason either to believe him or not – and it would make no difference. That does seem to be a failing. If the *Dream* is *par excellence* an ironical view of youthful passions, it would help to have a real passion or two on display.

For all its deft precision, Noble's is an oddly non-committal reading. Romantic affliction, even of the transient adolescent kind, gets hardly a look-in, not even with this unconventionally young Theseus (no mature wisdom, just fanciful effusions) and his Hippolyta. If we are to be unromantically disabused, we should be conned a bit first.

Sponsored by Allied Domecq; in repertory at the Barbican all summer.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 21 21
● The Age of Elegance: exhibition reflecting 18th-century Dutch art; from Apr 29 to Sep 24

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with guitarist Manuel Barrueco. James Paul conducts Vivaldi, Puccini and Respighi; 8.15pm; Apr 28, 29, 30 (3pm)
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● Manon Lescaut: by Puccini. Conducted by Joseph Rescigno and directed by James de Blasis with soloists Barbara Daniels, Elizabeth Byrne and Patryk Wroblewski; 8.15pm; Apr 28, 29, 30 (3pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Lohengrin: by Wagner. 8pm; Apr 30

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 82 11
● Belgian National Orchestra: with the Brussels Choral Society. Yuri Simonov conducts Elgar's "The Dream of Gerontius"; 8pm; Apr 29
OPERA/BALLET
De Munt/La Monnaie Tel: (02) 218 22 11
● Idomeneo: by Mozart. A new production conducted by Philippe Herreweghe and produced by Joël Lauwers; 7.30pm; May 2, 4

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Radio Symphony Orchestra Frankfurt: Andrew Litton conducts Elgar, Walton and Britten/Dowland; 8pm; Apr 27, 28

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● English Chamber Orchestra: with soprano Barbara Hendricks. Hubert Soudant conducts Pergolesi's "Stabat Mater" and Fauré's "Requiem"; 8pm; Apr 27
● Grand Classical Gala: Martin Merry conducts the National Symphony Orchestra in a programme that includes Verdi, Orff, Strauss and Ravel; 7.30pm; Apr 30
● Isaac Stern: violinist with pianist Yefim Bronfman plays Mozart, Janáček, Schubert and Bartók; 7.30pm; May 4
● Puccini Gala Night: Paul Wynne Griffiths conducts the London Concert Orchestra with sopranos Christine Teare and Claire Rutter, and tenors Adrian Martin and Julian Gavin; 8pm; Apr 29
Royal Festival Hall Tel: (0171) 928 8800
● Gala Concert: The London Philharmonic and Royal Philharmonic Orchestra. Sir Georg Solti conducts Beethoven's "Symphony No. 7" and Bartók's "Concerto for Orchestra"; 7.30pm; May 2
● Philharmonia Orchestra: with violinist Anne-Sophie Mutter. Semyon Bychkov conducts Hindemith, Rihm and Beethoven; 7.30pm; May 3
● The London Philharmonic: Franz Welser-Möst conducts Pärt, Sibelius, Martin and Shostakovich; 7.30pm; Apr 27
● The Michael Nyman Orchestra: with harpsichordist Elizabeth Chojnacka and mezzo-soprano Hilary Summers. Includes "Carrington" premiere; 8pm; Apr 29
GALLERIES
Serpentine Tel: (0171) 402 0343
● Take Me (I'm Yours): a take-away exhibition selected by Swiss curator Hans Ulrich Obrist; to May 1
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts of Guy Joosten and conductor Markus Stenz; 7pm; Apr 27, 29
Royal Opera House Tel: (0171) 304 4000
● Mixed programme: includes a new production of Ashton's "Rhapsody" and a William Forsythe world premiere; 7.30pm; Apr 27, 29 (7pm)
● Un Ballo in Maschera: by Verdi. Conducted by Edward Downes, directed by Patrick Young and with soloists Deborah Voight, Lillian Watson and Luciano Pavarotti; 7.30pm; Apr 28
THEATRE
Barbican Theatre Tel: (0171) 638 8891
● Twelfth Night: by Shakespeare. Directed by Ian Judge; 7.15pm; May 1, 2, 3, 4 (2pm)

■ MADRID

GALLERIES
Prado Tel: (91) 420 28 36
● Sebastiano Del Piombo: Venetian-born artist of the Italian Renaissance. This exhibition explores his influence on Spanish painting; to Apr 30

■ MUNICH

GALLERIES
Bayerische Staatsgemäldesammlungen Tel: (089) 23 80 50
● Henri de Toulouse-Lautrec: posters; to Apr 30
Haus der Kunst
● Deutsche Romantic: previously on show in London, this exhibition has created much discussion in Germany. It examines impact of the work of early German Romantic painters on successive generations of German artists; to May 1

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● New World Symphony: Michael Tilson Thomas conducts Ives, Dahl, Bach and Copland; 8pm; Apr 29
Avery Fisher Tel: (212) 875 5030
● American Symphony Orchestra: with conductor Leon Botstein, tenor Thomas Young, baritone William Sharp and the New York City Gay Men's Chorus in a programme celebrating the 50th anniversary of the founding of the United Nations; 3pm; Apr 30
● New World Symphony: Michael Tilson Thomas conducts Mahler and his own "Diary of Anne Frank"; 8pm; Apr 28
Carnegie Hall Tel: (212) 247 7800
● Boston Symphony Orchestra: with soprano Sylvia McNair. Seiji Ozawa conducts Ravel, Schoenberg and Berlioz; 8pm; Apr 28
● Murray Perahia: piano recital; 8pm; May 2
● The Cleveland Orchestra: Robert Shaw conducts Mahler's "Symphony No. 8"; 8pm; May 4 (7.30pm)

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Daniel Barenboim: pianist and conductor with the Orchestra of the Deutsche Oper Berlin in a programme that includes Beethoven; 8pm; Apr 28
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: Charles Dutoit conducts a concert performance of Debussy's "Pelléas et Mélisande"; 8pm; May 4
GALLERIES
Musée d'Orsay Tel: (1) 45 49 11 11
● James McNeill Whistler: to Apr 30
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer. Soloists include Carol Vaness, Anthony Michaels-Moore and Keith Lewis; 7.30pm; Apr 27; May 4

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● An Evening with Agnes and Ruggero: mezzo-soprano Agnes Baltsa and bass-baritone Ruggero Raimondi accompanied by pianist Ronald Schneider; 7.30pm; May 3
● Budapest Festival Orchestra: with pianist András Schiff. Ivan Fischer conducts Bach, Bartók and Beethoven; 7.30pm; May 2
● Viennese Mozart Academy: with clarinettist Peter Schmidl. Yehudi Menuhin conducts Mozart, Pärt and Shostakovich; 7.30pm; Apr 29
● Viennese Symphony Orchestra: Georges Prêtre conducts Schoenberg and Beethoven; 7.30pm; Apr 28
GALLERIES
Kunst Haus Wien Tel: (1) 712 04 91
● Jean Dubuffet: to Apr 30

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Tzimon Barto. Zdenek Macal conducts Ott, Grieg and Brahms; 8.30pm; Apr 27, 28, 29; May 2 (7pm)
● National Symphony Orchestra: with violinist Joshua Bell. Richard Hickox conducts Britten, Ravel and Beethoven; 8.30pm; May 4

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Germany through rose-tinted glasses

BOOK REVIEW

THE NEW GERMANS
By Giles Radice
Michael Joseph. £16.50. 256 pages

Zulu chiefs are preceded at festive occasions by praise singers who warm up the audience with tales of their ancestry and achievements. Mr Radice casts himself as a praise singer for modern Germany, which he portrays as a shining example of Europolitical correctness and, by implication, a role model for a Blair-led Britain.

There is much to admire and to envy in modern Germany. Mr Radice rightly cites the strength and stability of Germany's democratic institutions and federal structure. He drools over the social market economy, which he credits with combining wealth creation and social cohesion. He lauds Germany as the most devoted adherent of a federal Europe and – in contrast to the UK – the most reliable part of the European order.

Refreshingly, however, the Germans are a good deal less starry-eyed about themselves. It is impossible to live in Germany, as I have, and not be struck by the extent of their self-doubt and worries. They are also much more open than their apologists in acknowledging the misgivings which others still harbour about them, and more honest in addressing them unflinchingly. One thinks of former President Richard von Weizsäcker's words: "Whoever closes his eyes to the past becomes blind to the present".

Mr Radice's panegyric has many good points. It is full of lively first-hand accounts of his own conversations and encounters the length and breadth of a reunited Germany. It is clearly written and concise. But it ducks most of the difficult questions, preferring to see Germany through rose-tinted spectacles.

It is revealing that Mr Radice admonishes the Chequers Memorandum – the summary note of the controversial Chequers seminar convened by Mrs Thatcher in March 1990 – for asking the "tactless" question whether democracy in Germany could survive a major setback. Yet the purpose of the seminar was to study Germany warts and all: no responsible government could base its foreign policy on the assumption that Germany arrived new-born in 1945. It may be that enduring national characteristics do not exist – Germany has been noted in the past as much for pastoral and artistic pursuits as for nationalism or militarism. Even so, it is never safe to disregard history or tear up the past.

Moreover, it was quite clear in 1989-90 that a freshly reunited Germany would pose a new challenge to the rest of Europe – not necessarily a dangerous one, but a challenge nonetheless. How would it fit in the European Community? Would its attention henceforth be directed more to the East than to the West? Would its economic strength mean that it would dominate Europe?

Britain was not the only country asking these questions. No European leader was more shaken – albeit privately – by the prospect of German reunification than President Mitterrand, who for public purposes was Germany's closest partner and friend.

Will Germany's remarkable economic success continue into the future? The answer is not clear-cut. In many ways the German economy remains highly restrictive, particularly as regards ownership of companies and the financial services sector generally. Moreover, as one percipient British diplomat is quoted in the book as saying: "Germany has the world's oldest students, the youngest pensioners and most expensive workers". Nor is Germany necessarily as well placed for the next industrial revolution focusing on computers and electronics as it is in the more traditional heavy engineering field.

Against that, great German companies such as Daimler-Benz and Krupp have shown extraordinary resilience in coping with the recession, by successfully cutting costs and restructuring. Like Mr Radice, I would still put my money on the success of Germany industry, well into the next century.

Germany's future role in Europe also needs to be searchingly examined. The reality is that Germany will dominate the European Union. That is not so much German policy but the inexorable result of its size and success. Those with some sense of history will recall unhappy precedents such as Bismarck's design for economic dominance through "industrial norms", or even the 1940 scheme for a Bank of Europe that would fix all European currencies against the Reichsmark with "special arrangements" for the pound.

I do not suggest that German motivation in supporting economic and monetary union now is remotely similar. But there is no attraction for the British in a German agenda which locks its European competitors into German industrial costs via the Social Charter, and into German monetary and interest rate policy via a single currency. Nor – rationally – should it for others, if only they could escape from their hidebound obsession with the political goal of ever closer union.

Mr Radice clearly yearns for Britain to follow the policies and practices which have brought Germany post-war success. The UK could certainly do with the success. But I don't believe we shall find it by aping Germany. That is the mentality of Euro-conformism.

Our best hope of success is to be more flexible than Germany in our labour market, more competitive than Germany in our costs, less restrictive than Germany in our financial services, more open than Germany to foreign investment, more nimble than Germany in responding to the challenge of Asian competition. But that does not seem to be the way which Mr Radice wants Britain to go.

Charles Powell

Sir Charles Powell was foreign policy adviser to Mrs Margaret Thatcher and Mr John Major and is now a director of Jardine Matheson.

THE FT INTERVIEW: Fernando Henrique Cardoso

Unmoved by the craze for failure

The trouble with the Brazilians, according to their new president, Fernando Henrique Cardoso, is that they cannot believe their luck.

He describes their complaint in Portuguese as *fracassomania*, which means "a craze for failure".

"We are all the time looking for disaster," says the man who took over as head of state on January 1. "We keep saying: 'It cannot be true, it's so good, it is impossible to continue'."

He is talking about the remarkable success of the new Real currency, which he introduced last year as finance minister under the previous administration of President Itamar Franco. Its launch saw the country's chronic inflation plummet from 50 per cent a month last June to less than 2 per cent in mid-April.

Yet today, there is a growing fear in the country and abroad that it may not last. Inflation is picking up, and could pass 3 per cent a month in May. A surge in imports forced the government to devalue the Real last month, and real annual interest rates have hit 40 per cent, with painful consequences for the cost of servicing the bloated public sector debt.

"These fears are not based on firm ground," Mr Cardoso insists. "Today we have the lowest rate of inflation for 26 years. We had a wonderful harvest, with 80m tonnes of grain, which is a record. Foreign investment is continuing to flow in. And we have never exported so much before. Even the budget situation is quite comfortable. We have never collected so many taxes. So why do we have to be afraid of the future?"

When he came to power on January 1, Mr Cardoso enjoyed a popularity rating of around 70 per cent, and the future looked rosy. His background won him support from left and right: the son of a general, he was a left-wing academic who went into exile in Chile during the years of military rule. But after his return, he helped found Brazil's main social democratic party. He cast off many former beliefs, stressing instead the need for open markets and deregulation, while maintaining his concern for social issues.

"The world has changed a lot, but not in respect to social injustice," he says. "Brazil is no longer underdeveloped, but we have to fight against poverty. In a country like Brazil it is no longer enough to say the market will take care of all things."

That means expanding what he calls "the social role of the state". And yet the future success of his Real plan, to which he owes his election, depends on spending cuts and reducing the state's role in the economy.

Within four months of taking office, Mr Cardoso is under attack from both left and right for failing to deliver: from the left, for failing to act on his social commitment, and from the right, for failing to move faster on his economic reforms.

As far as the Real stabilisation package is concerned, he has sent to the Brazilian congress proposals to allow greater private sector competition against the big state petroleum and telecommunications monopolies, Petrobrás and Telebrás, and to reduce discrimination against foreign investors. He has also tabled plans to cut costs in the social security system.

He has not yet put forward reforms to broaden the tax base, leaving the government budget dependent on emergency financing measures which will run out at the end of this year. Without rapid action, his critics say, the battle against inflation will be lost.

Mr Cardoso appears more concerned that changing the tax system would offer congress the opportunity to reduce rather than increase federal taxation. He predicts that a tax package could be submitted to congress "maybe in a couple of weeks". However, he warns: "If we estimate it will be difficult to get the reform approved this year, we will ask again for emergency funding."

Mr Cardoso is also refusing to rush on privatisation. This week the first studies on selling off the electricity sector were announced. But he says it will take two years to dispose of Companhia Vale do Rio Doce, the iron ore, gold and manganese mining company that should be one of Brazil's biggest privatisations. "This is a $12bn asset company. It takes time. Otherwise congress will try to nullify my decision for not protecting the national interest."

Cardoso: wants the congress to produce its reform
AP

On all fronts, the president's greatest political challenge is to persuade congress to back his policies. Although his coalition government commands a majority, the political parties are weak and based on personalities. He has to win the backing of different alliances of interest groups on each issue.

"There is a tremendous confusion in any process of decision-making by a new congress," he says. "Every four years there is again turmoil, because the deputies believe they have enormous powers to criticise the government; they will vote against it, they like to receive some trade-off."

He wants political reform, but prefers congress to be seen to be taking the lead. "I have decided not myself to send a political reform," he says. "I want congress to produce their own reform." Yet he claims a broad agreement on what changes are needed.

"We have a bad proportional system," he says. He favours a German-style system mixing individual constituencies with party lists, which would "give voters more knowledge about each candidate, and give representatives more responsibility to their constituents".

Political analysts in Brazil believe a reform of the electoral system is essential to improve the quality of representation and curb endemic corruption, but fear that congress will be unwilling and unable to reform itself. Mr Cardoso disagrees, saying it will be "less difficult" than the economic reforms.

In response to his left-wing critics, he stresses the need for new initiatives on education, health and unemployment. He promises a new programme to target the 100 poorest cities in the country. "We have in Brazil pockets of misery," he says. Yet the government alone could not afford to tackle them. "We have to ask civil society to join the government in trying to combat that misery."

Brazil remains "a big country with enormous internal problems," he says, but the answer is no longer to seek to develop behind protectionism.

"We are trading with practically all parts of the world. In that sense we are not provincials. On the other hand, we don't pretend to be a big power. We are not orientated towards grandeur. We are rather modest in our self-perception."

He is determined to raise Brazil's international profile, saying it is important that the country should be "more active" in UN peacekeeping operations, after its involvement in Angola. He also intends to maintain Brazil's campaign for a seat in an enlarged UN Security Council.

Yet he knows that Brazil's international influence will depend on its success with economic reform at home. When Mr Cardoso was contemplating running for president last year, he hesitated, for fear it would undermine his anti-inflation plan. In the end, he decided to stand, in order to preserve it. Success in that aim will be the test of his presidency.

Angus Foster and Quentin Peel

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Engineer's naive plea is only a cry in the wilderness

From Mr Z. Kowszun.

Sir, How naive can you get! I refer to the letter by Mr Brian Kent ("Education needs better funding", Letters, April 22) in which he avers that "engineering is surely the wealth creator in the UK and unless universities set high standards the industrial base will not grow and seize the opportunity it now has in abundance on the worldwide scene".

No sir! Anyone will tell you that engineers are those silly people who want to spend money on maintaining plant while they cannot guarantee that the product will go off specification without maintenance: they want to spend money on plant expansion instead, pushing it to the limit and past the limit – just as is possible with people.

No, we do not want engineers, and we know that wealth is created by suitable investment strategy, management strategy, takeover strategy, even playing real-time Monopoly with clients' money, but not by engineers. Engineers tend to think on a totally unacceptable time-scale of 3, 5 or even 10 years or more (I am an engineer) whereas shareholders want their dividends this year. It may be acceptable to think in terms longer than a year in Germany and Japan but not here, where 6 months is seen as long-term planning.

As for wanting "good teachers" adequately paid – what nonsense, we want to save money on education *now!* No investment adviser worth his salt would suggest that you to invest in an expensive venture which may pay off after about 15 years. No politician would win votes by advising such a course of action, even if some oily spanner-wielders or plant-designers think that it would be a good thing. We live in the *real* world of the City and it will take more than a few well-meaning, naive and probably quite correct engineers to change it. How I wish it were otherwise!

Z. Kowszun,
4 Witan Way,
Wantage,
Oxfordshire OX12 9EU, UK

Time for Britain's unions to learn from experience of American cousins

From Mr Michael Allen.

Sir, Britain's unions are certainly in a financial mess, as Robert Taylor and Andrew Bolger confirm ("A movement to money matters", April 24). But retrenchment alone is unlikely to provide a long-term solution. Many unions have realised that being business-like does not entail succumbing to anti-political business unionism.

It may seem perverse to suggest that unions have much to learn from the US labour movement where overall union density is about 15 per cent (single figures in the private sector). Yet the British unions' hostile environment is in many ways closer to the US model than continental Europe's cosy social partnership.

American unions have pioneered innovative recruitment techniques and initiated radical organisational "re-engineering", often drawing explicitly on the insights of business-centred strategic planning. For example, the service employees' SEIU, operating in a notoriously difficult sector for union organisers, enjoyed a 67 per cent increase in membership in the 1980s. That allowed the adoption of a new strategic reorientation involving more focused recruitment targets, community organising (employing "pyramid sales" techniques), and computerising union branches. Taking management rhetoric seriously and investing in human resources, the union increased its full-time staff, recruited the "best and brightest", and arranged top-notch training.

Other unions, like the communication workers' CWA, have benefited from similar drives to become "strategy-driven" unions, identifying priorities, core competencies and distinguishing essential from desirable services to members.

With "strategic unionism" showing similar benefits in Australia, surely British unions have more to gain from such a radical strategy than from a further round of short-term economies.

Michael Allen,
senior lecturer,
International Business and Languages,
The Business School,
South Bank University,
London, UK.

Korea has acted to improve market access for car imports

From Mr Duck-Soo Han.

Sir, Allow me to comment on the concerns raised by Mr Willy de Clercq in his letter of April 10 regarding the degree of openness of the Korean automobile market.

I presume Mr De Clercq is not aware of recent actions taken by the Korean government to improve market access for imported cars. Last June, the government announced market-opening measures, which took effect on January 1. They include a reduction in the tariff on auto imports from 10 per cent to 8 per cent which is lower than the EU's tariff (10 per cent), the adoption of a uniform acquisition tax of 2 per cent that applies to imported and Korean-made cars, and the removal of restrictions on showrooms exhibiting imported cars. A change in the regulations governing advertising makes it easier for auto importers to buy TV airtime.

Even before these measures, auto imports into Korea were showing impressive growth. In the first two months of this year, imports of European cars to Korea expanded six-fold over the same period of 1994.

The market share of imported cars remains very low. But this has little to do with alleged non-tariff barriers, unless consumer attitudes can be so considered. However, such attitudes are beginning to change, as indicated by the relative success of Mercedes Benz in Korea. This is largely owing to the company's effective marketing strategy.

There are still differences between Korean and European technical standards that need to be discussed. But I hope that Mr De Clercq would agree that Korea's automobile market is substantially open to imports. The tariff level is reasonably low and identifiable non-tariff barriers have been largely eliminated.

In international trade, our goal must be the elimination of restrictions to market access.

Mr De Clercq states that, while the EU-Korean trade account is more-or-less in balance, he nevertheless expects that "this may soon change", presumably in favour of Korea. Why? EU statistics show that the EU has maintained a trade surplus with Korea since 1991. This trend shows no sign of reversing.

Duck-Soo Han,
Deputy minister
for international trade,
Ministry of Trade,
Industry and Energy,
Republic of Korea

Fraser and the Fayeds

From Mr Michael Cole.

Sir, The idea that House of Fraser was "neglected and starved of investment in favour of Harrods" ("Cost of putting a house in order", April 22) during its ownership by the Fayed brothers is very far from the truth.

From 1985 until 1994, when they floated it on the Stock Exchange and the offer was 2.2 times oversubscribed, the Fayed brothers invested approximately £140m in capital projects. They carried out a branch-by-branch rationalisation, closing the loss-makers and opening four full-line department stores in new shopping malls.

They financed the refurbishment or flagship stores like Frasers of Glasgow and Howells of Cardiff in the teeth of the worst recession in the memory of most retailers.

Whatever may ail House of Fraser, it is not its previous owners who relinquished effective control of the company 18 months ago. I thought only politicians tried to blame their current problems on the previous administration.

Michael Cole,
Director of public affairs,
Harrods,
Knightsbridge,
London, UK.

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FINANCIAL TIMES

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Thursday April 27 1995

G7 and the currencies

The relationship of the group of seven leading industrial countries to currency markets resembles nothing so much as that between parents and unruly teenagers. It shows a similar anxiety and bewilderment; it utters similar pious exhortations; and it reveals a similar absence of belief in its ability to do anything effective.

Even by the standards of recent communiqués, the section on currencies this week from the G7 finance ministers and central bank governors was thin. They "expressed concern about recent developments in exchange markets. They agreed that recent movements have gone beyond the levels justified by underlying economic conditions in the major countries ... that orderly reversal of these movements is desirable ... and to continue to co-operate closely in exchange markets."

On one point, the G7 is certainly correct. The yen and, to a lesser degree, the D-Mark are grotesquely overvalued. At just over 80 yen to the US dollar, Japan's GDP is some $5,800bn, which is more than four-fifths of US GDP. Yet OECD calculations reveal that, valued at common prices, Japanese GDP is about two-fifths that of the US.

This is painful. Only yesterday, Mr Koichi Kato, chairman of the Liberal Democratic party's Policy Affairs Research Council, said that "the United States should be more serious, more sensitive about maintaining the dollar's value". He went on to remark that "at least the US should express a very strong will, a government intention to stop the dollar's fall".

How does the US respond? Mr Robert Rubin, Treasury secretary, stated that, the most effective way to promote stability "is to get the fundamentals right and to strengthen them where necessary." In its latest World Economic Outlook, the International Monetary Fund argues for higher interest rates in the US and further fiscal consolidation almost everywhere. The IMF is right on budgets, not least for the US, where private savings rates are so low. It is quite possibly right about interest rates, too. At this point in the cycle, it does at least make sense for the US to err on the side of monetary caution.

Nevertheless, a modest further increase in the short-term interest rate differential between the US and Japan would mean little in itself, when the currency can fall 20 per cent in four months. Japanese investors, nursing huge losses on foreign investments, will need more than this to change their minds about dollar assets. At some point, the markets will, indeed, turn. But the link between "getting the fundamentals right" and exchange rates is at best uncertain.

Can anything more effective be done? It can, but not by the US. The US is on the wrong end of this market and, unlike other countries with weak currencies, is too big to be bullied into the austerity it does not want.

The Japanese and Germans, by contrast, can create the currencies the world desires without limit. Understandably, they do not wish to do so. Yet they should stop complaining about the unwillingness of the US to take action that probably would not work, if they are at least equally unwilling to take action that could. The sensible policy for all sides would be to do the best they can on the fundamentals and wait for overseas investors – even those from Japan – to realise that US assets are now in the bargain basement.

Channel 5

Bids for the UK's Channel 5 are due on Tuesday. In inviting applications for the licence, the government has wrongly brushed aside the confusions which exist in UK media ownership rules. It would do better to address that muddle first.

Channel 5 is likely to be the UK's last terrestrial channel under analogue technology. Most viewers will be able to receive it on existing sets. A government statement on the future of digital television is expected soon, but the prospects for this technology, which could bring many more channels, are still unclear.

The launch of the new channel, which has been postponed repeatedly, is therefore welcome, as it could add considerably to the diversity of UK broadcasting. That is not to say that its financial health is assured – doubts on this score were presumably behind one contender's withdrawal this week.

However, as groups have formed to bid for the channel – one consortium includes Pearson, owner of the Financial Times – two points of unease have surfaced.

First, the government is currently rethinking rules on cross-media ownership, in the light of technological changes and the growing complexity of the industry. Regulatory reform could eventually be extensive, but until ministers publish long-awaited proposals, their inclinations are unclear.

Second, there is wide and understandable concern about the participation of Mr Rupert Murdoch's News International in one of the groups, given its extensive ownership of national newspapers and satellite channels. An important principle of media regulation is, after all, the promotion of diversity of ownership.

Further delay in awarding the Channel 5 licence would be frustrating for viewers and applicants. Nonetheless, the channel is not so important that a decision should be rushed through while these broader policy questions remain unanswered. The government should postpone allocation of the licence until it has published its proposals for media ownership, which it should now do as a matter of urgency.

Going to appeal

Mr Michael Heseltine, UK trade and industry secretary, doubtless hopes to avoid quarrels over Hong Kong when he visits Beijing at the head of a large business delegation next month. But even if he succeeds in ringfencing Hong Kong from the UK's broader relations with China, any respite is likely to prove temporary. A number of issues remain outstanding. The most serious – and contentious – is the establishment of a court of final appeal, intended to be the territory's supreme legal body after China assumes control in 1997. Unfortunately, time is now running out.

Britain said last December that the Hong Kong government would table legislation to establish the court "early in the new year". Unless this happens shortly after Mr Heseltine's visit to Beijing, there will be no time for the legislation to pass by the end of the session in the summer. Already business is becoming restive at what appears to be British dithering. Some contracts now being written in Hong Kong specify overseas law. If the territory is to flourish after 1997, it must have a predictable legal system of its own. That is arguably the single most important condition for its future success.

With hindsight, it may seem unfortunate that the issue of the court of final appeal was flagged so clearly. The Hong Kong government might argue that it needs to be set up early to provide a body of jurisprudence well ahead of 1997, but a year's experience is unlikely to help much in this respect. A more sensible approach might have been to leave the matter to China's preparatory committee, which will be closely involved in government in the immediate run-up to the takeover. The snag is that the court is now an important test of Chinese attitudes to the future of Hong Kong.

London's desire to avoid a row is understandable, but the issue cannot now be ducked without giving a damaging impression of differences between London and the colonial government in Hong Kong. If it waits much longer the UK will face a serious loss of credibility in its efforts to bring about a smooth handover of power, and will risk appearing indifferent to the fate of Hong Kong after 1997.

Some hope that China will eventually approve the legislation, since it is simply the enactment of an earlier agreement reached with Britain as long ago as 1991. An obvious advantage in gaining China's active approval for the legislation is that there would be less risk of the arrangements being tampered with after 1997.

Yet the application by China National Airlines to set up operations in Hong Kong, contrary to the earlier understanding that Chinese airlines would not operate internationally from Hong Kong, raises doubts about Beijing's determination to stick by existing arrangements. With so much other unfinished business relating to 1997 – over the airport financing, nationality and the right of abode and air traffic rights – such doubts are worrying.

The UK must soon encourage Hong Kong to put the legislation forward and defy China to renege on its 1991 agreement. Since a stable legal environment matters so much to business, China would have to decide whether to risk undermining confidence by objecting. It might still be angry enough to do so, but it is better that the world should know sooner rather than later where it stands on such an important business matter.

ECONOMIC VIEWPOINT

No dilemma for UK policy

By Samuel Brittan

For once economic commentators cannot talk about the dilemmas facing British policy. For this time there is no dilemma. When the "Ken-Eddie show" (the monthly meeting between the chancellor of the exchequer, Kenneth Clarke, and the governor of the Bank of England, Eddie George) reconvenes on Friday May 5, the overwhelming balance of evidence will point to an increase in UK base rates. Indeed a benevolent dictator might raise them by a full percentage point. But in a cautious democracy, financial markets would be surprised if the move was by more than half of a percentage point to 7¼ per cent.

The political pressures will not help. For next week will see the local election results in which the only question will be: how badly will the Conservatives do? But the chancellor has had the sense to postpone the monthly monetary meeting from the usual Wednesday to the Friday – the day after the local elections. So he will be able to argue that he has not misled local electors, as the final, final decision will have been taken only the day after they have voted. The key political consideration is that the more that he is seen to be taking no chances with inflation, the more freedom he will have to announce modest "tax cuts" in the Budget without provoking the Bank.

Earlier on, it had been feared that there would be a conflict between the behaviour of sterling, which pointed to an increase in base rates, and a slowing down in domestic growth which pointed the other way. But the flash Gross Domestic Product indicator for the first quarter of 1995 shows the slowing down to be modest.

The importance of the flash GDP estimate can hardly be over-estimated. For it is the best possible professional summary of all the indicators that have appeared relating to the first three months of the year – and there are very few that go beyond that period. Prof Peter Spencer's "Divisia" index, which weights the components of the money supply according to the likelihood that they will be spent, reinforces the message.

Whether or not oil is included, GDP rose in the first quarter by an annualised rate of 3.1 per cent over the final quarter of 1994. Compared with a year before, and excluding oil, it rose by 3.7 per cent. These rates are well above all official estimates of underlying growth and suggest that any remaining capacity gap is being rapidly eroded. This last trend is shown directly by an answer to a question in the CBI survey which shows capacity utilisation well above average and at a rate exceeded only at the top of some previous booms.

The official GDP press notice has an unusual prose footnote saying that all the first quarter growth came from outside the "production industries" (which include manufacturing) which have remained flat. Yet up to now manufacturing has been at the leading edge of the recovery. Indeed the CBI survey suggests that the official figures have been under-recording manufacturing. The CBI now reports the strongest ever increase in export orders, with a balance of 34 per cent experiencing a rise.

Looking at total orders, including those for the home market, a positive balance of 27 per cent of firms report an increase. For output there is a similar positive balance. The CBI may be a little more optimistic than other surveys, but not enormously so; and it has a reliable track record, especially if one concentrates on questions of actuality rather than expectations. So the chances are that the official manufacturing figures will be revised upwards, and with them GDP.

Unfortunately, both the movement of sterling and of business costs suggest policy makers cannot get away with talking about the well-known uncertainties in underlying growth trends and capacity gaps. The government's favoured inflation indicator, RPIX, which excludes mortgage interest payments, is in the top half of the official 1 per cent to 4 per cent target range. More reliable "core" measures have also been running at 2 per cent to 3 per cent. Bigger increases have been seen in producer prices. Even if the apparent escalation in unit wage costs is an aberration, the rise in the cost of materials and components ("inputs") is not.

Contrary to some reports, the CBI survey did not show reduced inflation pressures. The extravagant expectations of price increases entertained at the beginning of the year have indeed been deflated. Answers about prices actually charged show the biggest increase for five years and a large leap.

The best case against a base rate increase was made by Geoffrey Dicks of NatWest Markets. He shows that producer prices were squeezed relative to consumer ones while the UK was in the Exchange Rate Mechanism (1990-92) and suggests that old relativities might be restored with a limited effect on what the consumer actually pays. But he now accepts that this week's data have tipped the balance in favour of an interest rate rise.

I have updated my regular chart showing the uncanny parallel between the fall in the external and internal value of sterling during the last three decades. Of course there have been intervals in which the two have appear to be divorced. An example was when the UK left the ERM in a period of severe recession. But the breathing space which that provided is now over; and even minimal estimates, based on the impact of the latest devaluation on import prices alone, suggest that it could add between a ½ per cent and 1 per cent to the inflation rate.

The British adjustment is being made against a very favourable world economic outlook. The International Monetary Fund has revised upwards its projections for growth in industrial countries this year and next to nearly 3 per cent per annum; and inflation is expected to remain at below 2¾ per cent – as good a combination as has been seen for 30 years. Developing countries are expected to grow at nearly 6 per cent and the Asians among them by 7½ per cent. Nearer home, the central and eastern European countries started to grow in 1994 and are now on a 4 per cent annual expansion path.

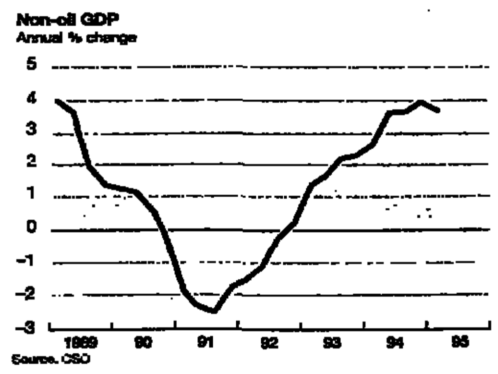
This is not the picture one would gain from the many gloomy stories about the problems of banks and other financial institutions – not to speak of the problems of countries such as Mexico and currencies like the dollar and yen (for opposite reasons). Yet one of the shrewdest financial analysts, Henry Kaufman, gives no less than nine reasons for expecting renewed overheating rather than recession in the US in the second half of this year.

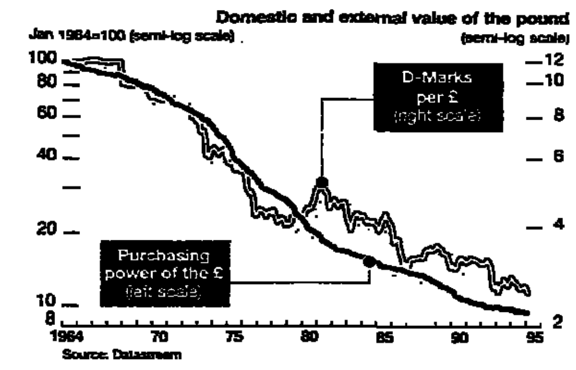
IMF staff seem to have become more forthcoming and specific in their public policy advice; and it is difficult to disagree with their *World Economic Outlook* when it warns about the "asymmetric nature" of the risks facing both US and UK policymakers: "The recent weakness of the dollar and of sterling against other major currencies argues for earlier steps to raise interest rates than would have been required otherwise."

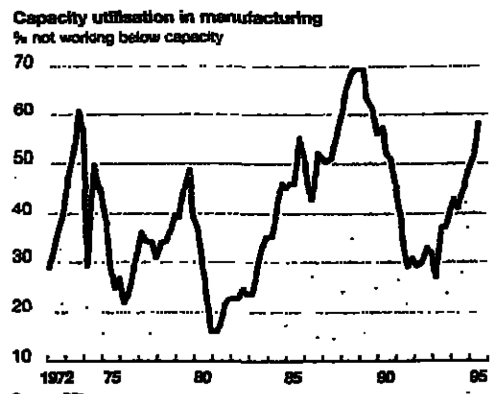
There is a positive side. Against the background of a buoyant world economy, any errors in the direction of overcaution in domestic policy should readily be made up in the export markets of the world. With a little bit of self restraint – and above all a willingness to be frank about the remarkable degree of consensus on macro-economic policy between the two main political parties – British economic problems could become those of a rising rather than a falling pound. These are better problems to have, notwithstanding the chorus to the contrary of a vociferous coalition of left and right wing devaluationists.

The opportunity is there for low inflation growth. "The fault, dear Brutus, is not in our stars, but in ourselves" if we do not take it.

The economy: not much slowdown and more inflation







Inflation well off the bottom
Seasonally adjusted, annualised rates (%)

	Latest 3 mnths	Latest 6 mnths	Latest 12 mnths	Recent trough	Date
Headline RPI	—	—	3.5	1.2	Jun'93
RPIX*	—	—	2.8	2.0	Oct'94
RPIY**	2.2	2.1	1.9	1.2	Oct'94
GS core RPI***	2.8	2.7	2.3	1.5	Oct'94
Food	4.5	4.3	3.8	1.7	Sep'94
Goods	2.7	2.4	1.7	0.6	Oct'94
Services	3.8	3.7	3.6	3.2	Nov'94
Producer output prices****	5.0	5.0	3.9	2.0	Jul'94
Producer input prices	8.3	8.8	11.0	-3.3	Jan'94
Manuf. unit wage costs	9.6	6.2	1.6	-1.7	Oct'94

*RPIX excludes mortgage interest and is government's target measure
**RPIY is Bank of England measure also excluding indirect taxes
***GS core excludes mortgages, council tax, VAT, petrol prices
****Producer output prices exclude food, drink, tobacco, petrol
Source: CSO, Goldman Sachs for GS index and some seasonal adjustments

Tony Jackson sees a continuing challenge to free markets from state intervention

Clause 4 lives . . . abroad

At the end of this week, Britain's Labour party, if all goes to plan, will at last relinquish its ancient commitment to a command economy. Clause 4 of its constitution, which for three-quarters of a century has called for "common ownership of the means of production, distribution and exchange", will be consigned to the dustbin.

The debate is predictable. Critics of capitalism aver that unchecked market forces are destructive and inequitable. Critics of state intervention say that governments cannot understand business, and that industries run by civil servants are doomed to fail.

As usual with such entrenched positions, reality lies somewhere in the middle. In countries such as the UK and Italy, state control has generally been a matter of using taxpayers' money to prop up dying corporations and inefficient utilities.

But in South Korea the economy has grown explosively in spite of the fact that the actions of private companies are largely dictated by the government's Five Year Plan. Korea's state-owned steel company, for example, is one of the most efficient and profitable in the world.

In short, it all depends on circumstance. Some countries may profit by central planning, provided they are at the right stage of development. Some industries may at least suffer no harm from state control, given the same proviso.

Take countries first. The critic of command economies on *a priori* grounds has to account for some awkward exceptions. Japan's rise to world power owed much to close co-operation between government and industry. China's double-digit growth goes along with more state control than western business cares to admit.

Three lessons suggest themselves. First, for central planning to succeed, a country must be early enough in its development to be able to learn by the example of more advanced economies.

Second, it must be relatively closed to the outside world: otherwise, central control cannot be exercised. This is inherently at odds with the next stage of economic development, which requires economic agents to be given autonomy, both at home and abroad. The inability to do this helped finish off the Soviet Union. In Japan, the necessity of doing it has weakened the government-industrial machine. In Korea, the government is seeking ways of doing it without ceding control. It is anyone's guess how it will play out in China.

Third, a country must have reasonable co-operation between government and the private sector. Successful practitioners of the command economy such as Japan and Korea – some might add France – operate on the basis of common targets and occasionally common personnel. In the UK, state ownership of such industries as steel and shipbuilding proved largely disastrous; but that was because politicians put politics first and business a distant second.

When it comes to individual industries, the criteria are to an extent reversed. To be manageable by government, industries must be not undeveloped, but mature and established. Their markets and technologies have to be well understood and – above all – predictable.

This is illustrated by the complex world of information technology. In the US, various industries from telecoms and computing to Hollywood and cable TV are investing billions of dollars on overlapping efforts to gain a share of the new multimedia services market. Inevitably, much of that investment will go to waste – the kind of Darwinian process that central planners abhor. But there is no practical alternative, since no-one knows where these markets or technologies are headed. Only the market process, in its clumsy and patient way, can find out. Five or 10 years from now, the winners will have developed real tools to serve real customers.

In more mature industries, this kind of radical market solution need not apply. The success of Posco, the Korean state steel company, suggests the steel industry remains amenable to large-scale planning (Posco's two mills are the biggest in the world). In the similarly mature industries of petrochemicals and power generation, the Chinese government seems disposed at present to rely largely on its own resources: and given China's recent economic performance, it would be unwise to dismiss the decision.

This leaves the premise that central planning, in certain societies and certain industries, can still be a powerful way of mobilising scarce resources. The collapse of the Soviet Union has led to an easy assumption that *laissez faire* is the best answer, always and everywhere. But free market economies such as the US and UK are under constant competitive pressure from economies which are nothing of the sort. In an economy as mature and open as the UK, a return to central planning would be a disaster. That is a fact of life, but not necessarily grounds for celebration.

OBSERVER

Empty cells at The Hague

■ The arrival in the Netherlands of the first – and so far only – suspect to be brought before the Yugoslav War Crimes Tribunal is no doubt welcome news to 12 so far idle prison warders. The jail in Scheveningen, a seaside resort near The Hague, has set aside 24 high-security cells to house suspected war criminals; until the extradition of Dusan Tadic from Germany they remained empty.

Tadic yesterday made a brief appearance before the tribunal, the first such since the Nuremberg and Tokyo trials after the second world war, to plead not guilty. Staff of the UN-sponsored tribunal, the chief prosecutor being South African judge Richard Goldstone, fervently hope Tadic will be followed by others.

The Hague tribunal bears little relationship to the Tokyo and Nuremberg trials. German, Japanese and other war criminals were tried after their countries were occupied, making capture easy. Yugoslavia's war rumbles on, and the tribunal is not allowed to try suspects in absentia, unlike its two famous predecessors. Nor can it impose death sentences; the most severe penalty at its disposal is life imprisonment.

Moreover, while it can issue indictments and arrest warrants, other countries must hand over suspects. With most of the 22 people so far indicted believed to be in Serbia or Serbian-controlled Bosnia – neither of which recognises the tribunal's jurisdiction – Scheveningen's remaining 23 cells will probably be vacant for some time to come.

Warsaw jitterbug

■ A rise of about 40 per cent on Poland's stock exchange since the end of March has cheered those investors still in the market after an overall 12-month decline in the main stock exchange index, the WIG. Yesterday's 7 per cent drop in the WIG shows how fickle the market can be.

But maybe the fall was just a sign of growing sophistication, as the investment community reacts to signals it once might have ignored? Such as yesterday's seminar on bankruptcies in central Europe organised by Leslaw Paga, former head of the Securities Commission, now head of Deloitte and Touche's Warsaw office. Could Paga, who was the four-year-old market's first regulator, and who joined the private sector last year, have concluded bankruptcies might be a Polish growth area? Of such molehills are big jitters made.

Cape cropper

■ It obviously could never last – the simultaneous existence of two national anthems in the newly democratised South Africa, that is. Since last year's election, both *Die Stem von Suid-Afrika* and *Nkosi Sikelel 'i Afrika* have been played at all official meetings, but it seems President Nelson Mandela – who clearly senses time's winged chariot at his heels – has decided the two should be amalgamated.

Leaving aside the political ramifications, the resulting re-mix would be a bit of a cacophony: *Die Stem* is in Afrikaans, while *Nkosi* is a mixture of Sotho, Xhosa and Zulu. Moreover, as the combined anthem would in any case be superseded by yet *another* anthem sometime in the future – all South Africa's national symbols are under discussion in the constitution-writing process – the poor old orchestras will probably end up thoroughly confused.

No menace Dennis

■ Danes take a certain pleasure in Sweden's current bout of economic and political trouble. Swedish assumptions that their country is not only the biggest but the best of the Nordic countries has long irked Danish sensibilities.

But even Danes were surprised by the slump in Swedish self-confidence implied by an event at the Swedish Embassy yesterday. The cream of Copenhagen's elite turned out to attend a lunchtime talk by Bengt Dennis, Swedish Central Bank governor between 1982-1993.

The talk was provocatively titled: "Can Sweden be Saved?" If Sweden's ambassador, Carl-Johan Groth, who dreamed up the title, had his doubts, Dennis did not.

With just a touch of the old superiority, Dennis blithely argued that if Denmark could wriggle out of budget deficit problems in the early 1980's, "then of course Sweden can, too."

This caused the Danes no end of confusion. On balance, they ditched *schadenfreude* in favour of relief at hearing some good news for a change.

Given the bird

■ Bad news for cormorants. It's not just angry British fishermen, threatening to shoot them – the European Parliament has joined in the chase. Its European fisheries committee held a seminar yesterday to investigate Europe's growing cormorant mountain.

Dr Gosselk of the Institut für Angewandte Okologie in Rostock reported that the last time there had been a similar explosion in cormorant numbers the army had to be called in. Must have done the trick; cormorants haven't been a problem for the last 100 years.

Europe's parliamentarians are adopting a softly, softly approach this time round. They have called on the commission to submit proposals for collecting cormorant eggs from their nests and replacing them with plastic eggs. Clever.

The Financial Times

100 years ago

Mexican finances

The admirable analysis which Mr Carden, our Consul in Mexico City, has made of the Budget estimates of the Finance Minister, is embodied in a Foreign Office Report, and is well worth perusing by everyone interested in the finances of the country. As regards the import duties, to a definite estimate of which the Finance Minister did not care to commit himself, Mr Carden takes a hopeful view of the future. The conclusion at which he arrives is that, given a moderate return of prosperity, the financial year will yield "for the first time in Mexican history a real, and possibly a considerable, surplus."

50 years ago

US tin stockpile

From Our Own Correspondent, New York. The United States' tin stockpile has dropped to the lowest level since this country entered the war. According to the War Production Board, total stocks, other than smelter and consuming industries' working stocks, have been reduced from more than 105,000 tons in 1942 to under 7,000 tons presently. Thus, victory in Europe will not relax conservation orders on this metal, or the scrap salvage drive.

FINANCIAL TIMES
Thursday April 27 1995

IMF says early warning systems may avert crises

By Peter Norman, Robert Chote and George Graham in Washington

Member countries of the International Monetary Fund are moving towards agreement on improved early warning systems to head off Mexican-style financial crises.

Countries argued in the IMF's policymaking interim committee yesterday that enhanced surveillance procedures were needed to prevent international growth being threatened by financial turmoil in any one country.

Mr Kenneth Clarke, the UK chancellor, said a consensus on better early warning systems was "emerging extremely rapidly". He added that all 24 countries in the interim committee, representing the IMF's 179 member states, agreed countries should be "more transparent" in their policymaking and keep up a good flow of accurate data so financial markets could make sound judgments about their economies.

Among the ministers urging better IMF surveillance were Mr Manmohan Singh, the Indian finance minister, and Mr Anatoli Chubais, the first deputy chairman of the Russian federation.

Britain has proposed that the IMF should focus on 30 to 40 countries where crises could have a global impact. "I believe that a large part of the problem in the Mexican case was a failure to prioritise [IMF] staff efforts in country surveillance," Mr Clarke told the committee.

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■ Ministers urge action to cut deficits
■ Dollar's surprise rally
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The chancellor also urged the IMF to be more frank in the advice it gives member countries, and not "pull its punches" through excessive regard for government sensitivities.

However, it appeared that not all UK proposals for strengthening the IMF would be accepted. In particular, the committee was expected to shy away from telling the IMF to draw up a list of countries which provide timely and accurate data.

The move to give the IMF more teeth reflects growing concern among finance ministers and central bank governors that the world economic recovery is taking place when many countries' have large deficits in their current accounts and budgets.

There is widespread anxiety among committee members about these deficits. In a summary of member countries' views, Mr Philippe Maystadt, the Belgian finance minister and committee chairman, said efforts to cut budget deficits were "disappointingly weak".

Mr Lamberto Dini, the Italian prime minister and treasury minister, told the meeting: "Fiscal consolidation, together with measures aimed at increasing the efficiency of public spending, are essential to restore market confidence and lower interest rates."

Mr Clarke pledged that the UK would continue with its goal of balancing the government's budget in the medium term.

New York dispute could lead to restrictions on Lloyd's

By Ralph Atkins, Robert Peston and James Blitz

Lloyd's of London could face curbs on its US business unless it resolves a dispute with New York insurance regulators over its finances.

The disclosure of this latest threat to the insurance market came as Mr David Rowland, Lloyd's chairman, assured UK members of parliament that Lloyd's remains solvent, despite widespread speculation that it is in severe difficulties.

However, his private briefing of the Commons Treasury select committee was disrupted by the refusal of two MPs to participate.

Mr Nick Bugden, a Conservative MP, and Mr Brian Sedgemore, a Labour member, both walked out because they believed the session should have been open to the public.

"It is not appropriate to have a private session," said Mr Budgen. "It is very unwise to give Mr Rowland the impression that anything he said was confidential would be respected [by committee members]."

Separately, it emerged that lawyers from Lloyd's are expected to hold discussions this week on the contents of an as yet unpublished report by the New York Insurance Department.

The dispute with US insurance regulators centres on the level of funds Lloyd's holds in trust in the US to support dollar-denominated underwriting. Lloyd's is seeking alternative ways of satisfying tougher criteria being set by US regulators, other than by increasing the trust funds.

Although the New York Insurance Department is expected to allow discussions to continue into next month, it has the power to call a public hearing if Lloyd's objections to the draft report are not resolved.

The department would only comment last night that "we are still working on getting this report out and making it public".

The US and Canada account for about a third of Lloyd's business and the insurance market cable and constructive". Its lawyers are understood to have warned the department that restrictions on its US business could hit local insurers who rely on Lloyd's for reinsurance.

After the select committee meeting, an MP disclosed that Mr Rowland, who was accompanied by Mr Peter Middleton, the Lloyd's chief executive, had insisted the insurance market is not facing an insolvency crisis.

MPs at the meeting said it was held in private to guard against accusations that they were damaging confidence in the market by airing in public allegations about its solvency.

The committee is expected to produce a report on Lloyd's in the next few weeks.

Brazil to sell generating assets

Continued from Page 1

at $5.4bn, while the country's other electricity companies, mainly owned by Brazil's individual state governments, have estimated sales of $9.2bn.

Mr José Serra, Brazil's planning minister, said privatisation was necessary because the government could no longer afford to fund Eletrobrás' investment plans.

The sell-off would also allow the government to cut its internal debt, which is now close to $65bn. Privatisation will require a new regulatory model in Brazil, where sectors such as electricity have often been used to promote broader overall economic policy.

For example, electricity companies were forced to keep prices down to help fight inflation, and to supply subsidised electricity to underdeveloped regions.

Most price restrictions have now been removed, but the regulatory agency, Dnaee, does not have adequate powers or personnel to investigate pricing levels or service quality.

Another factor which may cause the government to proceed slowly is that Congress and state governors would demand a share of privatisation receipts if they started to generate a significant budget surplus.

Electricity is the first of the three main state monopolies that President Fernando Henrique Cardoso hopes to open to private competition. The sector was chosen because it is subject to fewer constitutional restrictions than oil and telecommunications.

Hostile bank bid is the first in eastern Europe

By Gavin Gray in Ljubljana

SKB Banka, the largest private bank in Slovenia, has launched eastern Europe's first hostile bid for a bank – an offer for Gorenjska Banka, the country's fifth largest by assets.

If successful, the bid would step up the consolidation of a fragmented banking market. Like most other countries in eastern Europe, Slovenia – formerly the northernmost republic in Yugoslavia – is "overbanked", with more than 30 banks for a population of less than 2m.

Mr Ramin Habibi, managing director of Bank Research Eastern Europe, said yesterday: "Other takeovers in eastern Europe have tended to be of sick banks which were under central bank administration. This is the first case of an attempt at a real acquisition between two healthy banks."

The European Bank for Reconstruction and Development has a 15 per cent stake in SKB Banka, which it took in December 1994 through a rights issue that lifted the bank's capital to DM240m ($178m). At the time, SKB Banka said it would use its fresh funds to increase its market share from 10 per cent to 25 per cent. Acquiring Gorenjska Banka would increase its share to 15 per cent.

Slovenia's minimum capital requirements for a full banking licence will increase to DM60m ($44.4m) in September in an attempt by the central bank to encourage mergers and takeovers, but the consolidation process is complicated because many banks jealously guard their independence.

Gorenjska Banka, which has capital of DM174m and assets of DM685m, is one of 12 regional banks that used to belong to the Ljubljanska Banka group, formerly the monopoly bank in Slovenia. The network was broken up in 1993. Based in Kranj in northern Slovenia, Gorenjska has been more successful than most other regional banks because its clients include some top exporters.

SKB Banka is offering 11,000 Slovenian tolars ($99) for each Gorenjska Banka voting share – or $53m in total – and an alternative one-for-three share offer. The offer is conditional on SKB receiving acceptances from holders of at least 25 per cent of the shares.

Mr Zlatko Kavcic, director of Gorenjska Banka, urged the bank's shareholders to reject SKB Banka's offer, claiming that the true book value of the bank's shares is over SIT 19,000, rather the SIT 15,000 figure in its most recent accounts. The most vocal opposition to the bid has come from local activists, who argue that it would lead to a transfer of power from Kranj to Ljubljana, Slovenia's capital city, where SKB Banka is based.

THE LEX COLUMN

Pulp fictions

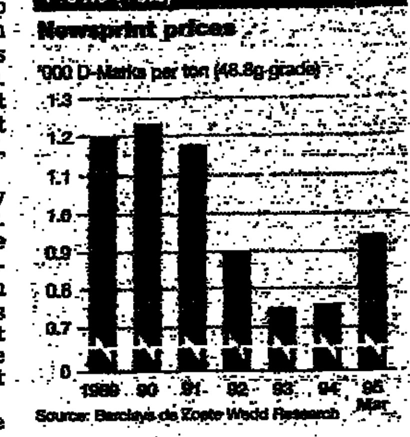
FT-SE Eurotrack 200: 1401.5 (+3.8)

It would be wrong to prejudge the European Commission's investigation into newsprint, but this year's sharp price increases may be explained in other ways than by a cartel: the laws of supply and demand, for example. West European demand for newsprint has been rising rapidly, up 10 per cent since 1993, while capacity has lagged, up just 5.7 per cent.

Explaining the lack of new capacity does not require a conspiracy theory. Manufacturers simply do not have the money to invest. They are still rebuilding balance sheets after an expansion binge in the 1980s. Moreover, margins until recently suffered from stagnant product prices and a doubling since 1993 of the cost of pulp, paper's most important raw material.

If a cartel is operating, it is a feeble one: the newsprint industry has been going through the shredder. Between January 1989 and May 1993, prices tumbled more than 40 per cent, unsurprisingly eliciting no consumer protests. And last year, when prices for other paper grades rose by about 20 per cent, newsprint prices continued to bump at the bottom. It was the suddenness of this January's 15 per cent increase that was painful, and that was due to the sector's traditional one-year contracts rather than conspiracy. But even after increases, expected at about 25 per cent this summer, prices will only have regained 1989 levels. If consumers are complaining now, they should be aware of future agony: the imbalance of supply and demand is likely to worsen.

Newsprint prices



Source: Barclays de Zoete Wedd Research

European stocks

Bayer, Mercedes-Benz and Philips Electronics yesterday joined the long list of export-oriented continental European companies which have complained about the impact of currencies on earnings.

The combination of the weak dollar and a strong local currency has hit first-quarter profits – and looks certain to wreak further damage as the year progresses.

Currency considerations have led analysts to cut their earnings forecasts for hard currency European markets, and to upgrade estimates for markets such as Italy, where profits stand to benefit from a weak currency.

But investors should resist the temptation to switch out of markets with deteriorating earnings outlooks. Italian earnings may now rise 70 per cent this year, but equities in Italy and other peripheral markets are vulnerable to macro-economic shocks – for example, panic interest rate increases or further currency implosion.

By contrast, the impact of currencies on hard currency markets is not as dire as warnings may suggest: corporate rationalisation and economic recovery mean that earnings will grow strongly this year. James Capel, for example, has trimmed back its estimates of 1995 earnings growth for Germany only modestly, from 36 to 33 per cent, and still predicts 40 per cent earnings growth in France. Investors should seek out value in hard currency markets. There has been some indiscriminate selling and in the medium term stronger currencies will force companies to implement further earnings-enhancing rationalisation.

GAN

GAN, the troubled French insurance company, has become the latest in a long list of privatisation prospects that have required state support to survive property losses. As in previous cases, the government claims it is merely switching assets from one hand to the other; in this case, shares in Elf Aquitaine and CIC are being swapped for new shares in GAN. But the GAN shares are being issued at a 48 per cent premium to the market price.

The state had little choice but to throw good money after bad. The current elections, and the imminent flotation of another state insurance company, Assurances Générales de France, meant it had to stand by GAN. Indeed, there is some justice in the action. The FFr5.7bn of property provisions that have left the GAN balance sheet in tatters were the result of a government-enforced investment in CIC, a previously state-owned bank.

Nonetheless, GAN still looks some way away from reaching privatisation grade. As a majority state-owned company, GAN is unable to reduce its substantial cost base through job cuts. The management that dragged it down has scarcely changed. And it has yet to commit itself to dropping a costly strategy of pursuing market share at any cost, instead of focusing on quality business. As a result, it is still reliant on investment gains for its insurance profits. However, the key issue is whether GAN has made a clean sweep of its property losses. If so, there is upside potential for its balance sheet, which could help rebuild investor confidence.

Tradepoint

Nine years after Big Bang, the London Stock Exchange's monopolistic grip on UK equity trading could soon be loosened. The Securities and Investments Board's move yesterday towards recognising Tradepoint computerised market, marks an important step towards real competition in the UK stock market. But there is some way to go. Despite criticism from the Office of Fair Trading, the Stock Exchange still prevents marketmakers from quoting more favourable prices on another system.

Concerns that a proliferation of exchanges would fragment trading, so reducing liquidity, are overdone. This can be avoided by establishing computer links between different marketplaces, as some derivatives exchanges and US stock exchanges already do.

Even if Tradepoint fails to attract huge volume, it may find a niche: it needs only a 1½ per cent market share to break even. Marketmakers are likely to steer clear of the system, which is largely predicated on the exclusion of the middle-man. But Tradepoint may appeal to fund managers, particularly the new breed of international money managers who tend to run specialist funds and invest in a wide range of markets. They worry more about execution costs than about service from marketmakers. If Tradepoint can offer substantially lower dealing costs, it could even encourage a more active trading style among some UK fund managers.

See additional Lex comments on UK building societies and Bank of Scotland, Page 20

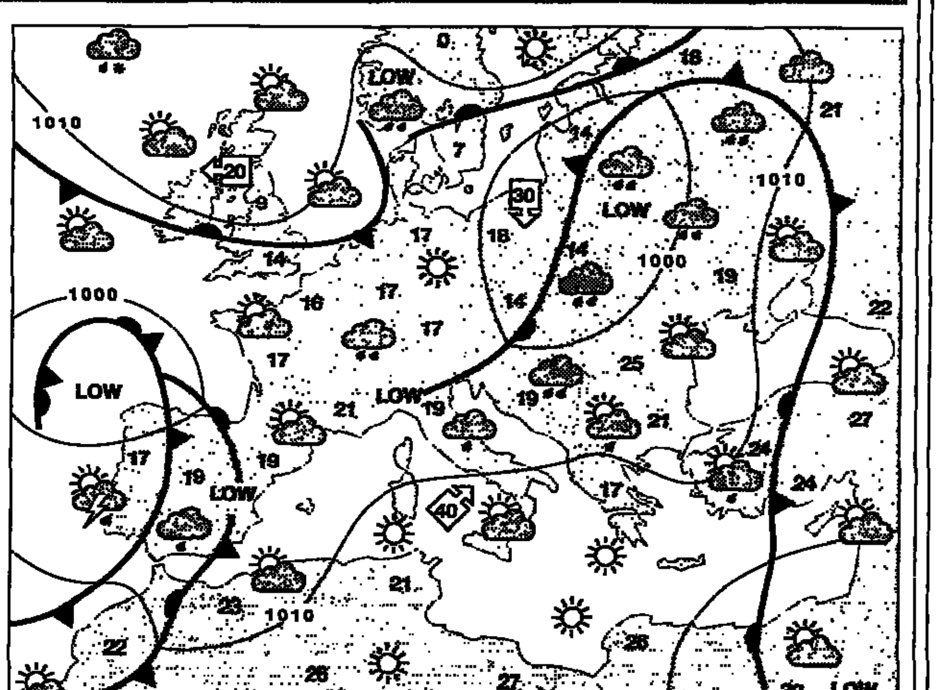
FT WEATHER GUIDE

Europe today

Cool polar air will flow into Scandinavia, the British Isles and the northern Benelux. Southern Scandinavia will remain cold with temperatures slightly below freezing and a mixture of snow and rain in the north. The British Isles will be fair with temperatures between 6C-15C. The northern Benelux will be cloudy with temperatures around 12C. The southern Benelux will have sunny periods and more comfortable temperatures. The Alps and Balkans will be changeable with rain and thunder showers. France will be mainly settled but north-east France will have a few showers. Spain and Portugal will have cloud and rain but the east coast will be sunny.

Five-day forecast

Cool air will move further south on Friday, resulting in cool but fair conditions over the Benelux and Germany. Eastern and most of south-west Europe will remain changeable. During the weekend, a south-westerly flow will promote unsettled conditions in western and northern Europe. High pressure will keep central and southern Europe mainly dry with sunny periods.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Celsius
Abu Dhabi	fair	31
Accra	fair	33
Algiers	fair	23
Amsterdam	cloudy	16
Athens	sun	20
Atlanta	fair	25
B. Aires	sun	25
B.ham	fair	14
Bangkok	fair	36
Barcelona	fair	19

Beijing	sun	30
Belfast	fair	11
Belgrade	thund	18
Berlin	fair	18
Bermuda	fair	22
Bogota	shower	18
Bombay	sun	35
Brussels	fair	18
Budapest	thund	18
C.hagen	fair	13
Cairo	sun	32
Cape Town	shower	18

Caracas	fair	29
Cardiff	fair	15
Casablanca	rain	20
Chicago	cloudy	12
Cologne	shower	20
Dakar	sun	26
Dallas	cloudy	19
Delhi	sun	40
Dubai	fair	29
Dublin	fair	12
Dubrovnik	fair	16
Edinburgh	cloudy	9

Faro	thund	19
Frankfurt	fair	20
Geneva	shower	17
Gibraltar	rain	18
Glasgow	fair	11
Hamburg	fair	17
Helsinki	fair	9
Hong Kong	fair	29
Honolulu	fair	26
Istanbul	sun	21
Jakarta	shower	32
Jersey	cloudy	10
Karachi	fair	34
Kuwait	fair	30
L. Angeles	fair	23
Las Palmas	fair	24
Lima	fair	23
Lisbon	rain	18
London	fair	16
Lux.bourg	fair	17
Lyon	fair	19
Madeira	cloudy	21

Madrid	thund	19
Majorca	sun	21
Malta	sun	19
Manchester	fair	13
Manila	fair	34
Melbourne	fair	18
Mexico City	shower	25
Miami	thund	29
Milan	shower	18
Montreal	cloudy	11
Moscow	thund	20
Munich	thund	16
Nairobi	thund	28
Naples	cloudy	17
Nassau	thund	31
New York	shower	20
Nice	fair	18
Nicosia	sun	26
Oslo	rain	6
Paris	cloudy	18
Perth	shower	21
Prague	thund	17

Rangoon	sun	35
Reykjavik	snow	3
Rio	sun	27
Rome	cloudy	19
S. Frcso	cloudy	19
Seoul	fair	22
Singapore	thund	32
Stockholm	cloudy	7
Strasbourg	shower	17
Sydney	fair	22
Tangier	rain	19
Tel Aviv	sun	30
Tokyo	fair	20
Toronto	fair	17
Vancouver	fair	16
Venice	shower	17
Vienna	fair	19
Warsaw	rain	15
Washington	fair	24
Wellington	cloudy	17
Winnipeg	cloudy	6
Zurich	rain	15

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FINANCIAL TIMES SURVEY

PENSION FUND INVESTMENT

THURSDAY APRIL 27 1995

A more cautious view of risk prevails

In the UK, the Barings collapse and the Pensions Bill debate have forced scheme trustees to re-examine security, including cash management procedures, says Barry Riley

Pension funds are still obsessed with the chase for high investment returns, but during the past year the "risk" part of the risk/return trade-off has loomed larger than usual in the minds of trustees and portfolio managers.

The collapse at the end of February this year of Baring Brothers put a cloud over the group's asset management subsidiary, which is the UK's ninth-largest manager of segregated pension fund assets and is also a significant manager of global portfolios for US pension funds.

Baring Asset Management itself was soon in the safe hands of the big Dutch financial group ING, but the general perception of bank credit risk was damaged and all British fund managers, especially other merchant banks, have been re-examining their cash management procedures.

The question of exposure to derivatives has also been highlighted. In the event pension funds in the UK and the US turn out to have been risk-averse in this area. It is necessary to turn to Switzerland to find a serious accident; last autumn Landis & Gyr disclosed that the collapse in the bond markets had cost its pension fund SFr170m through ill-judged derivatives exposures.

For UK pension funds the poor markets in 1994 inflicted much less damage than that, but there was an average negative return of some 5 per cent, the second negative year in five, which means that the 1990s are turning out to be much less of a picnic for investment managers than the 1980s were. However, there have also been some good recent years – the average rate of return was 29 per cent in 1993 – and long-run performance remains satisfactory.

In fact, on an actuarial basis, the strength of most UK pension schemes actually *improved* in 1994. This was because of the buoyancy of dividends, which grew by some 8 per cent, far outpacing pay growth of under 4 per cent.

The income-based actuarial surplus index calculated by the pensions group at Binder Hamlyn (part of Arthur Andersen) increased by 5 per cent in 1994. Curiously, the market value-based solvency tests have also shown some improvement, because the large increase in gilt-edged yields during 1994 improved the ability of schemes to buy benefits in the annuity market.

So do falling markets not matter? Not very much in the short run, although there has been some nervousness in UK schemes about the legislation being proposed in the Pensions Bill now going through Parliament. A minimum solvency requirement (MSR) will expose poorly-funded schemes to the risk of being forced to top up their assets in a weak market.

At one stage there were fears that funds would be forced to reduce their exposure to high-performing but risky equities and top up with dull but safe fixed interest or index-linked bonds. In the end the solvency requirement has been watered down and few funds are likely to make a substantial response in terms of a shift in investment strategy.

All the same, along with the noticeable increase in the average maturity of UK schemes, the MSR is likely to encourage a gradual increase in the bond exposures of UK funds. This is happening, strangely, at a time at which, across the Atlantic, US pension plans are rapidly raising their equity exposures, in particular by adding overseas equities.

In the UK, the main focus at present is on the fall-out from the Barings crash. Funds are now re-examining their custody arrangements, although as it happened the ring-fencing of assets at Barings appears to have been satisfactory.

It has long been the common practice in the UK for custody to be a service bundled up with investment management. The use of external custodians has been increasing, but is significantly more expensive than managers' in-house custody. The question was examined by the Goode Committee on pension law reform, but the advantages of external custodians were not thought to be decisive.

In a sense the Barings crash has confirmed this in terms of the safekeeping of securities, but cash has turned out to be another matter. Baring Asset Managements' clients found that cash in some cases running to many millions of pounds was frozen and at risk in deposits with Barings Bank.

Many other merchant banks have used their pension clients' portfolios as a source of deposits. So long as top City of London banks such as Warburgs, Schroders, Barings, Fleming and Rothschilds were considered almost certain to be backed in a crisis by the Bank of England this posed few problems. But when the Bank allowed Barings to collapse at the end of February everything changed.

The idea that pension fund liquidity could be used to finance dangerous financial speculation by fellow subsidiaries of the fund managers is clearly unacceptable. It does not happen often but, in effect, it *did* happen at Barings.

The various merchant bank-owned managers are now trying to negotiate limits such as 2½ per cent or 5 per cent of the client portfolios as maximum exposures to the parent bank.

But many clients will probably insist on their liquidity being placed in a broadly-based cash fund spread across several top-rated banks.

Fidelity, the mutual funds group, has jumped in opportunistically by launching a triple-A rated institutional cash fund. Meanwhile, non-bank investment managers are emphasising their established cash handling arrangements. "We have had a full-time treasurer for some time," says Mark Henderson of Clerical Medical, pointing out standard procedures for assessing credit risk and setting exposure limits, which merchant banks do not yet have in place.

This episode has pointed out once again the actual and potential conflicts faced by the fund management arms of merchant banks. Late last year the sensitive relationship between the biggest UK pension fund manager, Mercury Asset Management, and its 75 per cent parent S.G. Warburg, flared up again in confrontation when MAM energetically defended its patch during the abortive bid for Warburgs by the US investment bank Morgan Stanley. The benefits which some merchant bank-owned managers have gained from being part of broader groupings may now be being outweighed by the conflicts of interest.

Will there be a shift in the UK towards the US pattern, whereby funds are split between a number of relatively small, possibly specialist, external managers while custody is handled by large, safe banks? It is a formula often promoted by pension consultants who, cynics say, have a vested interest in recommending greater complexity.

But such an outcome is unlikely to be seen in the UK until the big external balanced (or comprehensive) managers cease to perform. So far, subject to individual ups and downs, they continue to strengthen their grip on the market.

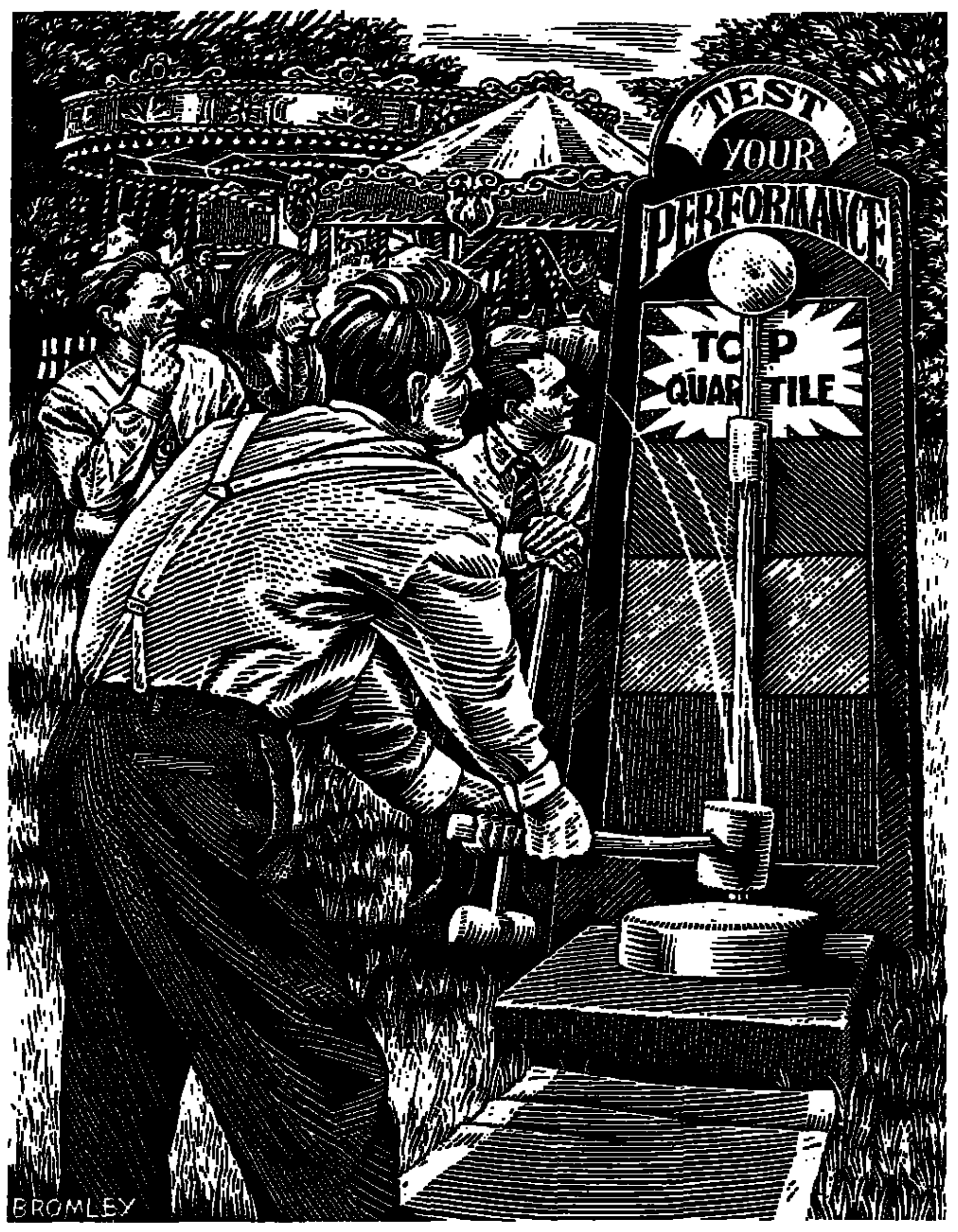
One or two of the big managers did indeed falter in last year's difficult investment conditions, but PDFM had a wonderful year. UK scheme trustees are unlikely to opt for a possibly troublesome team of small managers when big, safe, single decision alternatives are seen to exist.

Despite the poor market conditions of 1994, PDFM sees pension fund prospects as being bright. Its annual book *Pension Fund Indicators*, published this week, says that even dull investments like index-linked gilts are offering a real return of about 3.9 per cent, about the same as long-term returns achieved over the past 30 years or so.

"There should be several opportunities to exceed that return by investing in other asset classes when they are attractive," says PDFM.

A recent strategy document from the third-largest UK pension fund manager, Schroders, projected real returns over the next five years ranging from 3.5 per cent on cash and just over 6 per cent on both sterling bonds and UK equities to nearly 11 per cent on Pacific Rim equities.

If this works out in practice, there will be no need to chase exotic derivatives contracts in order to perform well enough to keep the actuaries happy.



IN THIS SURVEY

Long-time winner under pressure

Production editor: Roy Terry

PENSION FUND INVESTMENT 2

Top 25 segregated pension fund managers

	Value of segregated funds			No of individual funds		Total funds managed		
	1994	1993	% chg	1994	1993	1994	1993	% chg
Mercury Asset Management	37,755	40,379	-6.5	435	439	62,904	62,275	+1.0
PDFM/UBS	34,064	31,240	+9.0	335	307	40,571	36,742	+10.4
Schroder Investment Mngt	26,585	26,805	-0.8	246	209	57,585	52,865	+8.9
BZW Investment Mngt	20,158	21,230	-5.1	216	193	50,000	50,000	+0.0
Gartmore Investment Ltd	15,301	15,958	-4.1	210	196	20,026	21,026	-4.7
NatWest Inv Mngt	9,800	10,500	-6.7	87	86	30,800	17,500	+76.0
Prudential Portfolio Mngrs	9,700	11,700	-17.1	77	85	70,800	74,100	-4.4
Morgan Grenfell Asset Mngt	8,600	7,400	+16.2	125	106	30,900	28,300	+9.2
Baring Asset Mngt	8,267	8,779	-5.8	112	107	27,845	31,528	-11.7
Fleming Investment Mngt	7,589	8,741	-13.2	120	119	48,631	48,906	-5.6
Lloyds Investment Managers	5,416	6,084	-11.0	48	49	10,706	11,556	-7.4
Baillie Gifford	5,253	5,132	+2.4	76	69	10,589	10,126	+4.6
HSBC Asset Management	4,226	4,804	-12.0	180	191	10,061	11,196	-10.1
Henderson Pension Fund Mngt	4,189	5,206	-19.9	77	92	11,869	12,508	-5.1
Newton Investment Mngt	4,055	3,240	+25.2	8	77	8,600	5,200	+65.4
Hill Samuel Inv Mngt	4,013	4,673	-14.1	29	32	25,116	28,256	-11.1
Legal & General	3,860	4,107	-6.0	62	54	31,377	31,141	+0.8
M&G Investment Mngt	2,783	2,963	-6.1	29	32	13,806	13,970	-1.2
Jupiter Asset Mngt	2,764	2,812	-1.7	25	23	4,012	3,830	+4.8
Cazenove Fund Mngt	2,219	2,605	-14.8	88	87	7,968	8,816	-9.6
Clerical Medical	1,999	2,095	-4.1	44	42	11,649	11,126	+4.7
Invesco	1,823	1,561	+16.8	64	76	41,723	45,253	-7.8
Kleinwort Benson	1,765	1,918	-8.0	73	67	13,693	12,508	+9.5
Rothschild Asset Mngt	1,688	1,897	-11.0	40	38	10,210	11,196	-8.8
Hambros Bank	1,452	1,628	-10.8	40	42	7,667	6,315	+21.7
Total	225,302	233,447	-3.5	2,847	2,818	659,130	646,239	+1.9

Notes: Jupiter Asset Management has taken over Queens Anne's Gate Asset Management.

Performance of segregated funds to December 31, 1994 – annualised total return (%)

	Over 5 years	Over 1 year
PDFM/UBS	+11.5	-0.5
Newton Investment Management	+10.9	-8.7
Jupiter Asset Management	+10.8	-5.6
Gartmore Investment Ltd	+10.6	-5.9
Clerical Medical Investment	+10.4	-5.9
M&G Investment Mngt	+10.3	-5.7
Schroder Investment Mngt	+10.2	-4.1
Morgan Grenfell Asset Mngt	+10.1	-3.0
Baring Asset Management	+9.8	-5.8
Caps Median Fund	+9.5	-4.8
Cazenove Fund Management	+9.4	-4.9
Fleming Investment Mngt	+9.3	-5.2
HSBC Asset Management	+9.2	-4.5
Lloyds Investment Managers	+9.1	-5.3
BZW Investment Management	+9.1	-5.6
Rothschild Asset Management	+9.0	-7.1
Legal & General	+8.8	-4.9
Prudential Portfolio Mngrs	+8.6	-5.0
Hambros Bank	+8.2	-4.8
Invesco	+8.1	-5.0
Hill Samuel Investment Mngt	n.a.	-5.5

Figures are median fund performance, including property. Those firms which specifically exclude property are Cazenove & Lloyds. No figures were received from Henderson Pension Fund Management, Mercury Asset Management, Kleinwort Benson, NatWest Investment Management, and Baillie Gifford.

POOLED PENSION FUNDS

Largest Pooled Funds	£bn
Scottish Widows	4.64
Standard Life	2.50
Confederation Life	2.49
Scottish Equitable	2.19
Mercury Managed Fund Service	1.69
Prudential	1.26
Newton Exempt	1.16
Provident Mutual	0.98
Sun Life	0.67
Gartmore Long Term Balanced	0.66

At December 31, 1994

TOP 10 TOTAL RETURNS OVER FIVE YEARS

Mixed with property funds	Annualised %
Glasgow Investment Managers	13.4
Morgan Grenfell	11.8
Zurich Life	11.4
Bank of Ireland	11.1
Schroders	10.9
Albert E. Sharp	10.6
Mercury Managed Fund Service	10.4
Gartmore Long Term Balanced	10.2
Britannia Investment Managers	10.1
Clerical Medical	9.8
CAPS MEDIAN	8.7

Data to December 31, 1994. Source: Combined Actuarial Performance Services: 57 funds measured over five years

FUND MANAGERS: **Barry Riley** analyses performance over a year when market conditions were tough

Long-time leader comes under pressure

After many years at the top of the pension fund league table, Mercury Asset Management is now in distinct danger of being toppled by the house which has been number two since 1988, PFDM, the former Phillips & Drew Fund Management. During 1994, MAM's lead, in terms of UK segregated funds managed, shrank from 29 to just 11 per cent.

PDFM put in a blistering investment performance in 1994, outperforming the Caps median – one of the standard measures of industry performance – by more than 4 per cent. As a result it has also moved to the top of the five-year performance league table, putting it in an ideal position to win new business.

Market conditions were tough last year, but paradoxically PFDM scored heavily as a so-called "value" manager which relies on picking stocks with good fundamentals. It had struggled slightly in 1993 when rivals such as Newton Investment Management and the high performance team at MAM under Stephen Zimmerman chased bull market trends including the boom in the Far Eastern emerging markets.

In 1994, however, the hot managers found themselves in the wrong markets. Apart from PDFM, only Morgan Grenfell and the ever-reliable Schroders appear to have beaten the median among the leading managers.

As usual, however, some of the performance data is missing. MAM itself has never published figures: it is not so much a single management house as a group of teams under one roof, sharing central resources, and the performance varies quite widely. Publication of a house average could provoke unrest among some clients.

Although PDFM has to be greatly admired for its ability to perform for its clients it could now be heading for some of the strategic challenges which have affected MAM in recent years. How can it continue to add value as its pension funds managed grow towards £40bn? And how can it maintain a tight dispersion of results across well over 300 client funds?

In some ways Mercury might not mind too much being toppled off the number one spot. In recent years it has followed a business strategy of diversifying into other client areas, for instance setting up, within the past two years, two of the biggest new investment trusts, World Mining and European Privatisation.

Its total funds managed held steady last year at around £62bn, and UK segregated pension funds fell as a proportion from 65 to 60 per cent. In contrast, pension funds represent around 84 per cent of PDFM's assets managed, which can be regarded as a strong concentration of business risk, given that success in this highly competitive industry depends upon fragile performance achievements.

However, PDFM is a unit of UBS Asset Management, and the parent Swiss bank can balance the UK risks against the diversification offered by its spread of global activities.

PDFM has attempted to win business from other kinds of institutional clients, such as life assurance companies, but with comparatively little impact. It has refused to chase business in areas such as retail unit trusts because it argues that its unique investment focus would be blurred if it had to accommodate conflicting objectives.

Thus unit trusts and investment trusts must be promoted heavily to the public in bull markets. Mercury's European Privatisation Investment Trust was sold opportunistically to the public at the very top of the market in early 1994. This is the complete opposite of PDFM's value-based pension fund investment strategy of buying cheaply in depressed conditions and selling near the market highs. Such a strategy cannot be successfully pursued in the retail market (except perhaps for savings committed to long-term contracts).

The performance figures in the table have been supplied by the various managers. They are certified as complying with the voluntary code sponsored by the National Association of Pension Funds.

There are still concerns within the industry, however, that the statistics can sometimes be distorted. In any case, a single figure for the performance of client funds with balanced discretionary mandates is becoming steadily less representative when most managers are pursuing many different performance benchmarks.

A former measurement guru, Dugald Eadie, has just been appointed as the new managing director of Henderson, which is struggling at present in the corporate pensions business. Mr Eadie was formerly the chairman of the performance measurement specialists WM and currently, as a spare time activity, is the chairman of the permanent commission on performance measurement set up last year by the European Federation of Financial Analysts' Societies.

Henderson, ironically, has not provided the FT with any performance numbers for 1994. In February this year it published a profits warning, blaming losses of pension fund business. It is just one of a number of fallen stars of the 1980s. Prudential, Fleming and Cazenove have all continued to lose business as clients singlemindedly chase performance.

The industry is becoming ever more concentrated. The top five managers at the end of 1994 looked after £134bn, which was 60 per cent of the total managed by the top 25, up from 58 per cent the previous year. This concentration is embarrassing to the consultants who advise on manager selection; their role is almost redundant if the same handful of managers wins nearly all the business. Hopes that a move away from balanced management towards specialist mandates would broaden the manager base have not really been fulfilled.

Incidentally, in case other managers complain, it should be pointed out that the high position of BZWIM in the table of funds managed is due to its domination of the index-tracking market and its contract to run the £7bn pension fund of its parent Barclays Bank. BZWIM's role in active management for third party clients is quite small. One or two other banks are also raised higher up the table by in-house funds.

Can the fallen stars come back? It is interesting to note that Morgan Grenfell has been winning quite a lot of new business lately, after a somewhat sticky patch. Pension fund management is, however, a small world: Morgan Grenfell Asset Management's chief executive Keith Percy used to run PDFM, and the UK investment chief Nicola Horlick was recruited from MAM.

Another former leader which has shaken itself up in order to fight back in pension funds is Robert Fleming. Last year it brought in Kenneth Inglis from Allied Dunbar as chairman of its investment division. Performance was only so-so in 1994, but Fleming says it is beginning to get back on the manager selection short lists.

"Consultants are *looking* for recovery stories," says Mr Inglis. "They would like to have more names on their list."

Fleming appears to be aiming at the kind of investment style which has stood Schroders in such good stead: a disciplined approach aimed at adding small increments to the median fund performance rather than a more aggressive approach aimed at topping the tables.

For Peter Sedgwick, the long-time investment boss at Schroders, the rewards of success have been realised this year with his appointment as vice-chairman of the bank and the award of a big bonus.

How is it that Schroders has succeeded when many other merchant banks with equally strong initial client lists 20 years ago – such as Rothschilds, Lazards, Kleinwort Benson or Hill Samuel – are now running only a small fraction of the money? Defying the PDFM philosophy of narrow *focus, Schroders has also been* very successful in unit trusts.

A simple answer is that Schroders, like Warburgs, which still owns 75 per cent of Mercury Asset Management, established a corporate structure which encouraged talented people to stay in investment management rather than move to supposedly more glamorous activities such as corporate finance or markets.

But a more complex answer is that at Schroders, and very few other places, the right people have been linked together through complex chemistry to create a successful investment process. The pension fund management industry has become so concentrated precisely because this trick is so hard to achieve.


Kenneth Inglis: initiated a fight-back at Robert Fleming


Keith Percy: winning a lot of new business for Morgan Grenfell


Dugald Eadie: newly appointed to one of the fallen stars


Peter Sedgwick: success at Schroders has been rewarded

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INVESTMENT STRATEGY: **Philip Coggan** reviews the debate over bonds

The cult of the equity persists

UK pension funds have long been devout believers in the cult of the equity.

In 1994, according to the WM company, around 76 per cent of UK pension fund assets were in equities, up from 60 per cent in 1975. The main change over the past 20 years, fuelled by the abolition of exchange controls, has been an increase in the proportion of money held in overseas equities.

The proportion of assets held in UK conventional bonds has steadily declined, from 23 per cent in the late 1970s to 6 per cent last year.

In part, this is because institutions have diversified into index-linked and overseas bonds.

Another factor, however, is that inflation took such a toll on the value of gilts in the 1970s that pension funds seem to have despaired.

There is now a long-term argument that pension funds may increase their bond holdings over the coming years, bringing them more into line with continental funds, which have traditionally held a higher proportion of fixed income investments.

Some bond enthusiasts argue that UK inflation is likely to be a lot lower than it has been over the past 25-30 years. Investors in low inflation countries such as Switzerland and Germany have been able to opt for the security of bonds, without suffering the erosion of purchasing power.

The recent performance of UK bonds has been much better than in the 1970s – 1994 was the first year of negative performance for pension fund gilt holdings since 1978, according to WM, and in 13 of the last 20 years, gilts have provided double digit returns.

However, Colin Lever, partner in the investment department of Bacon & Woodrow, says: "I still believe the serious risk that UK pension funds have to face is inflation. For all the talk, I'm not convinced we have inflation licked."

An alternative argument in favour of bonds is that pension funds are gradually becoming more mature – that is, the number of beneficiaries receiving pensions is increasing relative to the number of members making contributions. The funds thus need a higher level of income, and greater security of income.

Here again, Mr Lever is sceptical, pointing out that pension payments rise with the retail prices index. "That argument points investors towards index-linked gilts," he says.

The third, and complex issue, is the proposed minimum solvency requirement for pension schemes. Although the final regulations have yet to be announced, the solvency proposals are widely expected to encourage pension funds to hold a greater proportion of their assets in bonds.

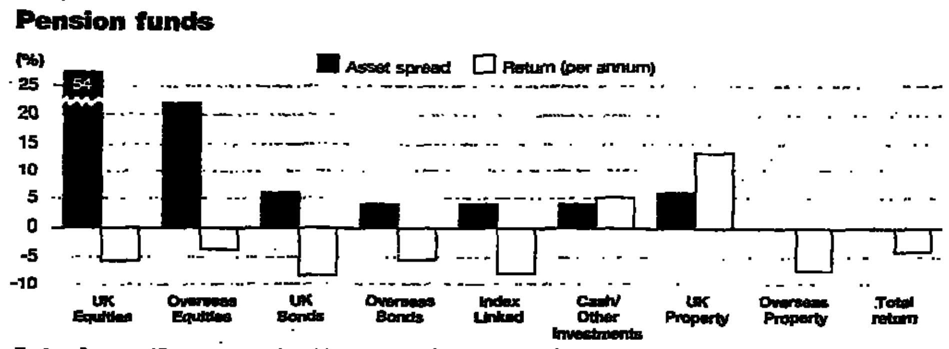
"Solvency is judged by the ability to buy a pension which in turn is measured in terms of gilt yields," says Peter Lockyer, director of investment practice at Alexander Clay & Partners.

"Accordingly, solvency ratios for schemes which invest more heavily in gilts will be less volatile than those which invest heavily in equities."

"The need to change an investment strategy which more closely matches liabilities depends crucially on the level of solvency," adds Mr Clay. "Schemes with solvency ratios of more than 115 per cent should be able to continue with unrestrained investment policies, that is, invest largely in equities."

Christopher Tracey, investment director of UK balanced pension funds at Fleming Investment Management, says that "if there is a big shift by pension funds into gilts, it will be because of the liabilities and solvency issues, not because of the perception of better returns."

Pension funds



The Asset Spreads and Returns shown are the weighted averages of the WM Universe and have been compiled from figures published by the WM Company. The total return figures relate to the WM All Funds Universe. The 1994 figures are the latest estimates. Source: WM Company

Many funds now use asset-liability modelling to create benchmark funds, he says. Compared with most benchmark models, the current asset median (the average portfolio distribution of all pension funds) is too equity-rich; this may presage a steady shift into bonds.

The split between UK and overseas equities is another complex issue. For a while, when Britain was part of the Exchange Rate Mechanism, it was possible to envisage the day when UK and European assets might become interchangeable.

That dream may have faded with Black Wednesday, but the rigid distinction between UK and overseas assets may still be breaking down. According to Mr Lever: "In 10 years' time, we won't split equities between UK and overseas. The growing internationalisation of many companies means the likes of BP, Shell and Exxon are interchangeable."

Although funds have gone overseas for sound reasons of diversification, UK equities have actually outperformed overseas equities over the past 10 years.

The problems of emerging markets, an investment area which was being much hyped in the early 1990s, may have further discouraged trustees from venturing overseas.

But Mr Tracey thinks trustees should not be too hasty. "Emerging markets are in many ways ideal for pension funds because they can take a long-term view. In the long term, these countries are more likely to provide growth than those in the mature OECD," he says. He points to the growing acceptance of investment in Asia which many trustees might have shunned 10 years ago.

For the moment, however, the cult of the emerging market equity is a minority faith.

PENSIONS BILL: **Norma Cohen** discusses the UK government's planned reforms

Blueprint faces stormy legislative passage

The government's legislative blueprint for pension reform has emerged from the House of Lords a bit the worse for wear.

It is now about to enter a potentially even more fractious run through the House of Commons where further alterations could be made.

Ironically, the government's biggest setbacks in shepherding its bill through Parliament have been peripheral to the central issue of how best to protect the pension promise which employers make to scheme members.

Some aspects of the bill which will be most damaging to future generations of pensioners – those altering provisions of the State Earnings Related Retirement Scheme – have barely been noticed, even by the Labour Party's most vigorously pro-worker members.

Privately, lobbyists for the pensions industry have expressed surprise at the Labour Party's quiescence over this key issue, and have suggested that the complexity of Serps means the government will have little difficulty in seeing the changes through parliament.

Instead, the government's most stunning setback was the battle over the disposition of occupational pension benefits following a divorce.

Lobbyists are surprised by the Labour Party's quiescence over Serps

Faced with certain defeat on its efforts to exclude pensions and divorce from the legislative agenda, the government offered a compromise. It would amend the Marital Causes Act of 1973 to force courts to take the value of a pension into consideration when dividing marital assets in a divorce. Second, it proposed a clause to the current pensions legislation which would force trustees to follow court orders in paying scheme benefits to someone other than the contributing member.

Aside from divorce – a peripheral issue for pension scheme operators – government ministers are most concerned about two pension issues which are threatening to become subsumed into the debate on the bill. Neither of these has anything to do with the central theme of the bill, the protection of retirement benefits promised by employers.

First, there is the emotionally-charged issue of pension benefits for war widows. Peers in the Lords voted by 191 to 145, a majority of 46, for cross-party demands that war widows, who lose their pensions on remarriage, should have them restored if they are widowed for a second time or divorced. The government believes this would cost £40m a year and would be unfair to other widows.

Second, there is growing pressure to index-link the state retirement benefits of pensioners who live abroad. Currently, pensions paid to these individuals do not rise annually in line with an inflation index as do those paid to UK residents.

However, the government's legislation has also suffered more bruising, but less public, setbacks. For instance, the actuarial profession is quietly proclaiming victory in its effort to alter the proposal of a "minimum funding requirement" to one which is described as a "minimum funding standard". According to the Institute and Faculty of Actuaries, the difference is much more than mere hair-splitting.

Indeed, they argued, plans to allow the MSR to allow up to 25 per cent of pensioner liabilities to be met with equity assets rendered the concept of minimum solvency almost meaningless. It implied the existence of a safety net of assets which, in fact, will not be there, they said.

It is expected that when the Department of Social Security reveals the guidance to the profession which will help actuaries to decide whether or not a scheme meets the new funding requirement, it will for the first time specify an acceptable range of actuarial assumptions for investment returns, inflation and increases to pensions in payment.

Meanwhile, the National Association of Pension Funds has met with some success in achieving other alterations to the Pensions Bill. For one thing, it won concessions on the wording of rules which would have made it impossible for UK pension trustees to retain, say, a US-based fund manager which did not have authorisation from Imro, the UK self-regulatory body for the fund management industry.

Also, its campaign for the custody of pension scheme assets to be a separately regulated activity is gaining steam, much to the chagrin of government ministers and the Bank of England who have been anxious not to draw new activities into the remit of securities regulators.

The NAPF's success is largely due to the collapse of Barings, which acted as custodian to roughly half the £27bn of client assets it managed, and which highlighted the dangers of inadequate custody arrangements.

While the ring-fencing of client assets at Barings worked well, clients risked losing an estimated £650m in cash deposits which the custodian had placed on deposit in Barings' own bank. Even if the government is successful in staving off a push to regulate custody when the bill comes to the House of Commons, it is understood that the City's own chief regulatory watchdog, the Securities and Investments Board, is reconsidering its earlier opposition.

But pensions industry officials say that if the Labour party opposition in the Commons wakes up, there will be a tremendous battle over alterations to the Serps programme.

The most significant change is that the government will no longer pick up the bill for the annual uprating for the Guaranteed Minimum Pension portion of a contracted-out occupational pension beyond 3 per cent. Current rules require the government to pick up the tab for uprating up to 7 per cent. "It is Joe Public who will pay for these changes," said Peter Tompkins, an actuary at Price Waterhouse. "It's actually quite a big reduction in benefits."

US: higher interest rates have improved solvency, says **Maggie Urry**

Healthy year for the $2,500bn industry

Last year was a poor one for US investors. Early in February the Federal Reserve surprised the stock market by raising short-term interest rates in a pre-emptive strike against inflation. By the year end the Fed had lifted its main interest rate six times, and, with another rise early this year, the discount rate had doubled from 3 to 6 per cent.

Higher rates meant lower markets, and towards the end of the year investors also had to contend with the problems in Mexico and a string of derivatives scandals.

Yet paradoxically 1994 was a good year for the health of the $2,500bn US pension fund industry. The rise in yields on long-dated bonds benefits the funds because they use that yield to calculate the present value of their long-term liabilities. By increasing the discount rate, the liabilities were reduced by more than the funds' assets were hit by lower bond markets.

As a result the severe underfunding of pension funds has declined in 1994. That trend has been helped by a tightening of the law through last year's Retirement Protection Act, which is forcing employers to fund their pension plans to a greater degree.

The Pension Benefit Guaranty Corporation, a Federal agency set up by the Employee Retirement Income Security Act (Erisa) in 1974, is expected to reveal a sharp reduction in the underfunding of pensions when it produces figures later this year. At the end of 1993 the pensions it insures, for 41m people through 58,000 pension plans, were underfunded by a staggering $71bn.

While the rise in bond yields helped on the liability front, the weak markets are not expected to change the way pension funds invest their assets. In the long term, one year's poor returns are not significant.

Mark Scott, head of consulting at the Wyatt Company, the consulting and actuaries group, says that after the stock market crashed in 1987 people thought pension funds would cut their equity weightings. But now the crash has largely been forgotten, he says.

Don Ezra, who heads the consulting side at Frank Russell, another pension fund consulting company, agrees that last year's returns are unlikely to change the way funds allocate their assets. Mr Ezra says that on average funds are maintaining a 60 per cent weighting in equities.

Nor have the problems in Mexico affected the way that pension funds look at international diversification. This has been an important trend among US pension funds in recent years, and 1994 again saw a rise in the weighting of international investments, mainly in equities.

According to figures from Greenwich Associates, the percentage of corporate pension fund assets invested internationally has risen from 5.8 per cent in 1991 to 9.5 per cent (including bonds) in 1994. Public funds have been even more aggressive, lifting the international proportion of their assets from 5 per cent in 1992 to 11.2 per cent in 1994.

Mr Ezra says that of his clients one has 25 per cent in international investments, and the average is 15 per cent. Mexico, and other emerging markets, represent only a tiny proportion of the total funds.

However, there is an area where international investment is not so popular, and this is among the defined contribution plans. It is a worrying indication of a much less aggressive investment policy by these funds which are likely to achieve lower investment returns in consequence.

Among corporate defined benefit plans – which fix pensions based on worker's salaries – the international weighting is 14.1 per cent, the Greenwich statistics show. But in corporate defined contribution plans – which set a level of contributions rather than promising a result – the overseas weighting is 1.5 per cent.

The asset allocation of the two types of plans is remarkably different in other respects, too. Defined contribution plans have on average 29.7 per cent of their money invested in the company's own shares, compared to 0.9 per cent for defined benefit plans. Another 24.9 per cent is in guaranteed investment contracts (against 0.8 per cent), which favour *safety over hope of growth.*

The reason is that under defined contribution plans the employee chooses where his money is allocated. They tend to opt for the safety of a fixed return or the "devil they know" of their own company's shares, fearing that other investments are too risky. In fact, diversification and a higher weighting in equities would over the long term reduce the risk and improve the return.

Mr Ezra says this is a worry for both the plans and the economy. "Contribution dollars are not being used as efficiently," he says, as "employees look at their pension funds as savings accounts rather than investment accounts. They go for short-term safety and sacrifice long-term growth." That could mean when the employees eventually retire they will have less to *live on from their pension.* They may sleep well now but they will eat less well later, Mr Ezra concludes.

US pension plans – overseas equity holdings
(% of total fund)

	1991	1992	1993	1994	1997*
Corporate pension funds	5.9	6.5	7.6	7.9	10.6
Public pension funds	2.9	4.4	5.2	6.5	11.9

* Projected Source: Greenwich Associates

Mr Scott says that Wyatt's research shows defined contribution plans achieve an average return 1.5 per cent less per year than defined benefit *plans. Taken over 30 or 40* years that apparently small difference will mount up to a large one when it comes to paying a pension.

Mr Scott says that either people will retire on less or they must pay more of their present salaries into the plans as contributions now.

In spite of these lower returns the trend towards defined contribution plans continued in 1994. Employers prefer them as they are less trouble to manage, can be cheaper, and give employees scope to look after their own pensions.

The Greenwich survey *estimates that among corporate* pension plans there was a net flow into defined contribution funds of $8.67bn in 1994, while there was a net outflow from defined benefit plans of $27.9bn. Among public funds, the flow into defined contribution plans was $5.8bn and out of defined benefit plans was $10.4bn.

One disaster area pension funds seem to have avoided is that of derivatives. Although funds do use them, for instance to hedge currency risk, there have been no stories of big losses. Mr Scott points out that the large-scale losses from derivatives have come where they have been used for leverage, while pension funds do not generally borrow to invest.

Even so derivatives are a hot topic among pension funds. "Every client has had a discussion of the 'D' word at investment committee meetings," Mr Scott says. Even so, he says, only a couple of clients have decided to prohibit their use.

Mr Ezra says plan sponsors are concerned about derivatives. He suggests to them that they should monitor their exposure by working out what would happen to their assets if, he says, interest rates rose or fell by one percentage point.

But he thinks it is unfortunate that derivatives as a class have a bad name. It is like someone who has placed a bet over the telephone and lost money saying that telephones should be banned. It is the betting not the instrument which is at fault, he argues.

JAPAN: **Bethan Hutton** discusses the first steps in opening up the market

On the road to deregulation

Good news from Japan has been in short supply so far this year, but pension fund managers with an eye on Japan have had good reason to be cheerful, as a result of US-Japan trade talks in January.

Allowing foreign investment managers equal access to the billions of dollars worth of assets held by Japanese pension funds has been a constant demand in trade negotiations between the US and Japan. The first crack opened in 1990, with access to a few small segments of the market. But in January an agreement was reached which should give investment managers of all nationalities far greater access to the Japanese pension market. In particular, foreign fund managers have welcomed the opening up of about $200bn of public pension funds to investment advisers – previously, only trust banks or insurance companies could manage public pension fund money.

Managers with an eye on Japan have had good reason to be cheerful

Key features of the agreement are:

■ Foreign fund managers to be allowed to set up limited partnerships to manage public pension funds;

■ Performance measurement to be based on market values rather than book values by 1997;

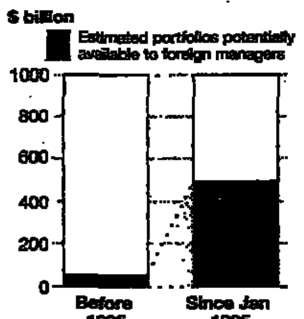
■ Management companies to be allowed to manage specialist portions of funds, rather than balanced portfolios; and

■ Licensing rules to be changed so that investment trust and pension fund management operations can be run together.

Lawrence Repeta, managing director of Frank Russell Japan, an American firm of pension consultants, said: "Unquestionably, this is the most significant package of deregulation measures since the creation of the investment adviser law in 1986. It will take some time to implement, but there is no doubt that the market will be subject to more competition and there is a significantly greater opportunity for foreign managers."

Those who stand to gain most from the agreement are the foreign fund management companies which have established themselves in Tokyo to take advantage of the first tentative round of deregulation, and which have been marketing steadily for the past few years. As their names are now familiar to the Japanese institutions, and with a wider scope of activity, they should start to see real benefits from their efforts. New operators who are attracted to the Japanese market by these deregulation measures may still find progress rather slow initially.

Japan: pension assets



Source: American Chamber of Commerce

Naturally, some barriers still remain. Independent advisers have not achieved 100 per cent access to pension funds: private pension schemes can only allocate up to one third of their funds to independent managers (whether Japanese or foreign), and then only once the scheme has a three-year record. This was reduced from eight years by the recent agreement. However, there are hopes that deregulation may be extended in due course to increase the one-third limit and remove the time limit altogether.

There are still heavy restrictions on pension funds' asset allocation: for example, 50 per cent of assets must be in yen-denominated fixed interest securities, and a maximum of 30 per cent can be invested in overseas securities. However, market participants say that these restrictions have little practical significance at the moment, as very few pension funds are even approaching the limits on overseas investment. If in future Japanese institutional investors' strategy changes so that the limits start to become genuinely restricting, pressure will increase for further deregulation.

An agreement gives foreign investors greater access to the market

A small shift in the rules on asset allocation may be of particular benefit to foreign investment firms. Until now, any management company given a pension mandate had to offer a balanced portfolio conforming to the overall asset allocation rules, including the large proportion of yen fixed interest. From now on, companies can be given a mandate to manage a specialist portion of the portfolio – for example, US fixed interest, or emerging market equities. *This will* allow foreign managers to concentrate on their areas of expertise, and may attract some specialist firms to the Japanese market for the first time.

Possibly the most significant innovation resulting from the trade agreement is the one measure which will take longest to implement: the change in the method of measuring performance, from using book values as at present, to real market-based valuations by 1997.

Currently, it is almost impossible to gauge the true performance of a pension fund. Managers have an incentive not to sell stocks which have fallen, as the book value performance measurement disguises unrealised losses. Once market valuation comes into effect, managers will be more likely to clear out non-performing stocks from their portfolios, so a side effect of the shift to market valuations may be a shake-up of the stock market.

"Historically, pension fund mandates were given solely due to corporate business relationships," says Mr Repeta of Frank Russell. "The use of book valuations has tended to obscure the performance of managers – perhaps the most significant hindrance to developing a really competitive market. Once that is replaced by total return investment valuations, using market values, you will really have a clear competitive set of numbers, and people certainly will have to use those more in determining their choice of managers."

Other factors such as the ageing population and recent poor stock market returns may also contribute to increasing attention to performance. Foreign fund management groups which have experience in highly competitive markets where performance records are all-important could be at an advantage when the change comes into effect.

In the UK, the recent greater focus on comparative performance statistics has led to large flows of funds to the management companies heading the league tables. However, it remains to be seen whether this step towards a more competitive climate will be enough to overturn completely Japan's long tradition of awarding contracts on the basis of relationships rather than performance.

The first mandates under the new rules are due to be *awarded this spring. It is* unlikely that foreign investment managers will suddenly find themselves in control of large swathes of Japan's national savings, but even a gradually increasing share of what by any reckoning is a massive pool of assets, has to be good news for the fund management industry.

EUROPE: **Emma Tucker** reports

Disagreements delay progress

Over the next few months Mario Monti, the European Commissioner responsible for the single market, is expected to unveil details of the next move towards the still unrealised goal of a single market in pensions.

Disagreements between member states over how to deregulate Europe's vast pension fund assets have delayed progress in knocking down barriers within the EU and last year, frustrated by a three-year deadlock, the Commission *withdrew its proposed direc*tive on the freedom of management and investment of pension funds.

The case for creating an internal market for pension funds is strong

Undaunted it launched a communication clarifying the rules on the free movement of capital as laid down in the Rome Treaty, and began consultations with the industry to find out where the greatest obstacles to pension fund investors remained.

The communication is already meeting resistance from certain member states, but the case for creating an internal market for pension funds is strong.

Recent reports and studies have highlighted an impending crisis in European pensions. In countries such as Italy the state pension framework based on pay-as-you-earn schemes is under intense pressure from ageing populations and because of the need to reduce budget deficits to comply with targets set out in the Maastricht Treaty.

"In all logic countries have to open up," says Koen De Ryck, a Brussels-based consultant. "The figures are just too dramatic and the countries who promise the most have the least reserves."

According to the Commission: "Demographic changes over the last decade of this century and the first 40 years of the next will be profound. Over that period the ratio of the retired population (those over 65) to those potentially working (aged between 15 and 65) is expected to double from its present average level in the EU of around 21 per cent."

But many EU member states are reluctant to lift restrictions on domestic pension funds often because governments believe that savings "belong" to a home economy and should be invested there. Indeed, the pension directive was withdrawn because of the belief in many member states that governments should be allowed to

Continued on page 5

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GILT STRIPS: these innovations could be popular, says **Graham Bowley**

Shift into bonds accelerates

Plans by the British government to modernise the UK government bond, or gilt, market are set to result in January in the creation of an open market in gilt sale and repurchase agreements known as "repos". Also under consideration is the introduction of a market in so-called "strips", instruments which are created when the coupon on a gilt is stripped from the principal. Pension funds, which over the past five years have begun to invest more and more in the gilt market, are likely to find further encouragement these innovations and could become important buyers of strips.

Figures published last month showed that UK institutions bought a net £18.2bn of gilts last year out of a total £45.4bn of net institutional investments, a high proportion relative to the historical average. Of this, pension funds bought £9.5bn. "Since 1991 the trend away from bonds has reversed and now there is a clear tendency among UK institutional portfolios to hold a higher proportion of gilts," says David Boal, gilt product manager at JP Morgan in London.

Mr Boal thinks the reason for this is twofold. First, UK inflation and people's inflationary expectations have fallen and have remained low in recent years, due to a severe recession and a prolonged period of high real interest rates. As a result, pension funds no longer need to invest to such an extent in assets that perform with inflation – such as equities or property.

Second, pension funds are increasing their gilt holdings to meet the solvency requirements suggested by the Goode Committee on pensions law reform.

This shift into gilts looks set to be boosted further by the reform of the gilts market. Repos – effectively loan agreements between two parties in which bonds act as collateral – will enable investors to finance gilt positions by borrowing against gilt holdings. It will also enable them to go short by committing to sell gilts they do not currently own. This should improve the accessibility and the liquidity of the market.

A healthy repo market will also be necessary for the proper functioning of a strips market. For a strips market to work properly, there must be efficient arbitraging between the price of the underlying gilt and the sum of the prices of the strip components, which will only be possible if gilts can be sold short.

It is likely that strips will be an attractive investment vehicle for pension funds and other investors with long-term liabilities.

Strips are fixed-interest securities created when a bond is broken down into its constituent cash flows. When a bond is stripped, each coupon and the principal payment becomes an individual zero-coupon bond.

For example, a bond with 10 annual coupon payments becomes 11 separate securities – one 10-year zero-coupon principal-only strip and 10 zero-coupon, interest-only strips.

Many investors – such as pension funds and insurance companies – have liabilities which require a large payment or series of payments beginning at some specified point in the future, rather than a series of payments beginning immediately. They therefore do not need an immediate and continual income stream which a conventional gilt would provide. Instead they can use strips to choose in which years they receive income – by buying a strip that coincides with that year – in order to match the years in which they have to make payments.

Strips can also be used by investors to exploit anomalies in the bond markets or to express a view they may hold about the future direction of interest rates and the future shape of the yield curve.

Like all zero-coupon bonds, strips are sold at a discount to par, so a small up-front cash payment buys exposure to a far greater amount of the underlying cash bond – so strips also represent a relatively cheap way of exploiting a bull market in bonds.

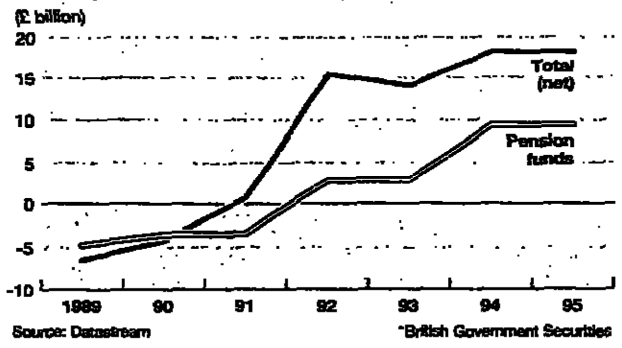
They have the further benefits that they are more flexible than exchange-traded futures contracts with fixed maturities, and because they are government debt, they do not face the counterparty risk associated with over-the-counter futures products.

There are already well-established strip markets in other countries, particularly the US, Canada and France. The first US government bond was stripped in 1982 and there are now around $225.3bn of US Treasury bonds held in stripped form. The introduction of a strips market in Canada in 1987 has been hailed as a success by the government - with the strips market in combination with other reforms cutting up to 15 basis points off the cost of funding the country's huge national debt.

The French strips market, Europe's first, grew quickly after it was begun in 1991, with more than FFr87bn in government bonds stripped near the markets peak in November 1994. However, because of the much greater interest rate sensitivity of strips, holders suffered badly in last year's bear market: the OAT 8½ per cent 2023 government bond generated a total return of minus 14.8 per cent in 1994, while the stripped principal portion of the same bond generated a return of minus 41.6 per cent.

In the UK, the fact that the Bank of England has begun to issue gilts with coupons that are paid on the same date as on large existing issues – a prerequisite for a strips market – has been taken by many as a sign that a market in strips is imminent. The Bank has said that strips are on the agenda although their introduction may still be a year or so away.

UK Institutional Investment*



Source: Datastream *British Government Securities

Continued from page 4

insist that a large part of a fund's assets be invested in local currency – so-called currency matching rules.

Only Britain, Ireland and the Netherlands – which impose few restrictions on their pension funds and consequently dominate the overseas investment market – backed the plans to open up the European market, currently valued at Ecu1,000bn (£786bn).

According to a World Bank Report published last year, the countries resisting liberalisation are doing their pensioners no favour.

"Pension reserves that are confined to domestic markets can be eroded gradually through modestly negative real rates of return or more suddenly through forced shouldering of losses elsewhere in the economy," says the report.

It points out that there are strong advantages from international diversification of pension funds. "Lower risk and sometimes higher returns are possible over the long term through international investment, which reduces the exposure of investors to country-specific risks such as inflation and gives them an opportunity to move their capital to countries that offer the biggest return."

So what does the Commission intend to do? Following the publication last year of the communication, it now has to decide whether restrictions on pension funds in certain member states can be justified.

But Brussels is being challenged by France. According to a commission official, the French government is questioning the communication's legality.

They argue that the Commission cannot withdraw a directive because they failed to get it adopted and then come back with a set of rules that seek to achieve the same ends.

"We say we are not laying down the rules, we are just clarifying the rules that are already laid down in the treaty," said the official.

Mr De Ryck adds: "The basis for freedom of investment is pretty strong under the treaty. The directive on pension funds was not really necessary because it is a basic treaty freedom. The Commission now has to decide whether there can be any exceptions – many of the treaty's basic freedoms are not respected in all countries."

Failure to shake up the sector is stacking up problems for the future

Meanwhile, the Commission is consulting industry to find out what types of restrictions it is coming up against. The results will define the commission's course of action.

"If industry shows we have got a lot of problems and that restrictions prohibited by the communication are being broken, then we will go to court," said the official.

This, however, would be an extremely long and cumbersome procedure and the Commission would much rather seek a compromise. But, as with the directive, any compromise that fully satisfied the member states might not achieve the goal of opening up the pension fund market.

Pressure may eventually come from within member states. Failure to shake up the sector is not only stacking up problems for the future, it is also distorting the market.

"In Germany pension funds are highly restricted," says Mr De Ryck. "Countries like the UK are investing in the German market but it is a one-way flow – nothing comes out of Germany in their direction."

The heavy investment of, for example, UK pension funds in German stocks and bonds reinforces the D-Mark but weakens sterling.

SPECIALIST MANAGERS: **Norma Cohen** reports

Breaking up the herd

The UK fund management industry has been bracing itself for the arrival of yet another US trend – specialist fund management.

The UK pension market place has been dominated by fund managers selling so-called "balanced" expertise, meaning that the manager decides both how to allocate assets among various classes and how stocks within those classes should be selected.

The effect, many critics say, has been to create a kind of herd instinct within the pension fund management industry. No manager dares stray too far from the mainstream asset allocation for fear of producing results below those of the median. As a result, all pension schemes have investment profiles which look broadly alike, irrespective of vastly differing liabilities.

However, there is growing evidence that UK pension trustees are coming round to the view that the use of one or more balanced managers may no longer be good enough. For one, the new minimum funding requirements are forcing trustees to look at whether their investment strategy will really ensure that their assets are sufficient to meet the liabilities of an increasingly mature membership.

The need to set aside assets specifically to meet obligations to current or to deferred pensioners has led to a sharp rise in fixed-interest only fund management mandates, investment consultants say.

For another, the range of suitable investment categories for pension schemes have widened significantly into areas such as emerging markets small capitalisation stocks or commodities, specialist areas in which only a few managers have genuine expertise.

"All the evidence we have suggests that at a stock selection level, you can do better with a specialist manager," said Tim Gardiner, head of European asset planning at consulting actuaries William M Mercer and Co. "For instance, surprise, surprise, US fund managers are better than anyone else at picking US stocks."

Mr Gardiner said that Mercer is actively encouraging its clients to opt for specialist management, as are several other leading actuarial consulting firms. Roughly 18 per cent of Mercer's clients by number – about 30 to 40 per cent of all the assets the firm advises – now use specialist management in some form, Mr Gardiner said. "To me, the momentum towards specialist management is already gathering pace."

The latest data from US-based research firm Greenwich Associates confirms that some of this advice is being more widely accepted. The 1994 survey of pension trustees shows that while far more schemes of those surveyed use balanced managers than specialist – 321 against 183 – the specialist approach is gaining ground. Of those surveyed, 44 said they had recently terminated a balanced fund manager, against only 25 who had done so for a specialist manager.

Meanwhile, only 32 said they had recently hired a balanced fund manager against 40 who had chosen a specialist, and only 25 expected to hire a balanced manager while 55 said they expected to hire a specialist.

Peter Lockyer, head of the investment practice at consulting actuaries Alexander Clay and Partners, says the advice his firm is offering to clients is that whatever arrangement they make, "it has to remain manageable". The danger of specialist management is that clients have found they are unable to maintain a firm grip over the asset allocation process, and cannot move assets swiftly enough between managers to suit changes in their market view. Also, they have sometimes fallen into the trap of being unable to monitor investment performance of all managers simultaneously.

That said, Mr Lockyer says, "what appears to be happening is that trustees are more receptive to the idea that you can take out a chunk of the portfolio and give it to a specialist manager".

Poor performance by some balanced managers is partly to blame, he says. "It's partly to do with performance measurement," he says. "Trustees see that underperformance is often a function of doing badly in one or two areas." Rather than take the entire fund away from the balanced manager, the trustees may simply reshape the portfolio, giving the manager, say, a UK equities specialist brief. Its European or overseas equities management may be farmed out elsewhere.

"There's a view now that you can't expect a manager to be good at everything," Mr Lockyer says.

One of the key obstacles in the path of further use of specialist management, consultants and pension scheme officials say, is the prevailing system of performance measurement. The benchmark median returns, so vital to the marketing efforts of leading fund managers, measure the performance of pools with balanced mandates. They offer no possibilities for comparison between, say, two Japanese equity fund managers.

"The performance measurement system has got to change," Mr Gardiner says. "What we want to know is how our US equities manager is doing versus other US equities managers." Consultants say they want to know, for instance, how often those offering specialist management actually meet or exceed client-specific benchmarks.

Fund managers offering specialist management say they are frustrated with the system of performance measurement because there is little point in comparing the returns of a client portfolio with a mandate to meet or exceed the Morgan Stanley Capital Index over rolling three-year periods, with those of a typical UK balanced manager investing in everything from equities to bonds to cash.

Meanwhile, investment consultants speculate, if specialist management in the UK does grow to the extent that it dominates the pension scene as it does now in the US, it will change the shape of the fund management industry. Firms which previously offered soup-to-nuts investment expertise may find it is no longer worth their while doing so and they may limit their investment activities to those at which they are good.

EMERGING MARKETS: **Michael Morgan** discusses the options in a volatile world

The long-term potential remains

The volatile world of emerging equity markets has never made a happy hunting ground for the faint-hearted. Over short periods, both the risks and the rewards can be huge.

But increasingly British pension fund managers, and their US counterparts, seem willing to look beyond the short-term and instead concentrate on the long-term potential offered by this class of investment.

Over five years to the end of 1994, Mexico and Hong Kong, two of the big, well-established emerging markets, were way out ahead in the FT-Actuaries World Indices in dollar terms, with rises of 335 per cent and 178 per cent respectively. Singapore and Malaysia both rose cumulatively by more than 100 per cent over the same period.

But, as if to prove that what goes up can also come down, Mexico has plummeted by more than 60 per cent since the start of last December, as the market became gripped by the currency crisis, and Hong Kong fell by almost 40 per cent over the course of last year, reflecting the malaise that afflicted Pacific Rim markets.

Among smaller markets, according to International Finance Corporation figures, in dollar terms, Peru which surged by almost 50 per cent during 1994, has fallen by more than 20 per cent since January, while Zimbabwe, which picked up 25 per cent last year, fell by almost 15 per cent during the first quarter of this year.

Pension fund managers in Britain and the US, taking a long view of five, 10 or even up to 20 years, are far from being put off by the volatility. Indeed some managers regard the current lower prices for equities after the falls since the start of the year, as a fresh buying opportunity. Some are actively looking to increase substantially the proportion of their portfolios held in emerging markets.

According to Caps, a leading performance measurement agency, Britain's pension fund industry held an average of 1 per cent of its £450bn assets in emerging equity markets at the end of last year, up from 0.1 per cent at the beginning of 1991, but little interest in emerging market debt. John Clamp, at Caps, said that the build up in emerging market holdings began during the second half of 1993, but had reached a plateau in the first three months of this year.

But that might be about to change. The manager of one large UK pension fund, currently reassessing his portfolio as part of an asset liability review, said he planned to appoint managers with specialised knowledge of the markets to raise long-term emerging market equity holdings to between 5 and 10 per cent of his total fund, up from virtually zero at present.

"In terms of returns, the emerging markets should outperform developed markets over the next 10 years," he said.

Another senior pension fund manager, with about 3 per cent of his funds invested in the Pacific Rim and less than 1 per cent in Latin America, noted that UK funds had been invested in the Pacific Rim for some five to six years while their exposure to Latin America had been much shorter, at only two to three years. "The current concern is with Latin America, rather than the emerging markets as a whole," he said.

"The Pacific Basin has been a story for so long that it has now become part of the scenery. In the unlikely event that Hong Kong were to go down by 50 per cent, we could still point to a lot of money that we have been able to make there over the years," he said.

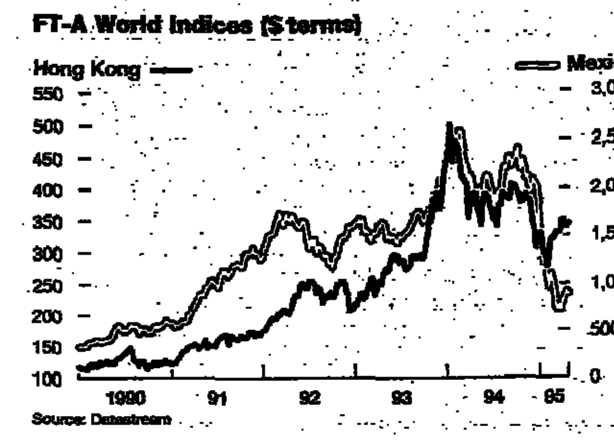
"On balance, I think that it is probably time to put more money into Latin America although one has got to be able to reassure trustees that the mistakes in the timing of investments that we made last time will not be repeated. And the trustees would be quite right to be very cautious."

In the US, meanwhile, John Purcell, the director of emerging market research at Salomon Brothers, forecasts an explosion of US pension fund investment in emerging equity markets, and also strong demand for debt.

He estimates that at present, the top 200 defined benefit plans in the US, withtotal assets of $2,000bn, have up to $15bn invested in emerging market equities and between $2bn and $5bn in debt. But over the next three to four years, Mr Purcell reckons that could grow to a total of $100bn.

Mr Purcell says that the US pension funds have been watching the emerging markets closely for the past two and a half years.

The volatility in growing markets over the last year, and



the subsequent lower prices, had provided a catalyst for managers who had already been considering investing.

"They are already coming in on a slow basis, so the question is not when, but how fast," Mr Purcell said.

He said that the funds looked to Asia for equity investment, and to Latin America for debt. There was also some interest in eastern European debt where a limited level of investment was already being made in Poland, Hungary and Bulgaria while funds were "looking, just looking" at Russia.

They are not the only investors looking at Russia. Early this year, Arnab Banerji at Foreign and Colonial Emerging Markets, was also pointing to the potential attractions of Russia for equity investors.

While he recognised the practical problems facing foreign investors in making investments, Mr Banerji highlighted the country's immense resources and need for modern infrastructure which, he said, presented extraordinary growth opportunities. "Almost everything is undervalued," he said. "Russia's potential is difficult to quantify but we believe that returns of up to 200 per cent are conceivable in 1995."

However, by mid-March, Templeton, one of the biggest institutional investors in emerging markets, underlined the sort of problems that can face investors in some of the world's newly emerging markets.

It put on hold plans for a $300m Russian country fund because of the government's failure to provide adequate protection for shareholders.

Mark Mobius, president of the Templeton Emerging Markets Fund, said that investment in Russia was hampered by the lack of western-style custodian and depository services, while the cavalier attitude of directors of Russian companies to their shareholders was another serious problem. "Ownership rights are not honoured," he said.

SAFE CUSTODY: **Christine Buckley** reports

New technology helps improve standards

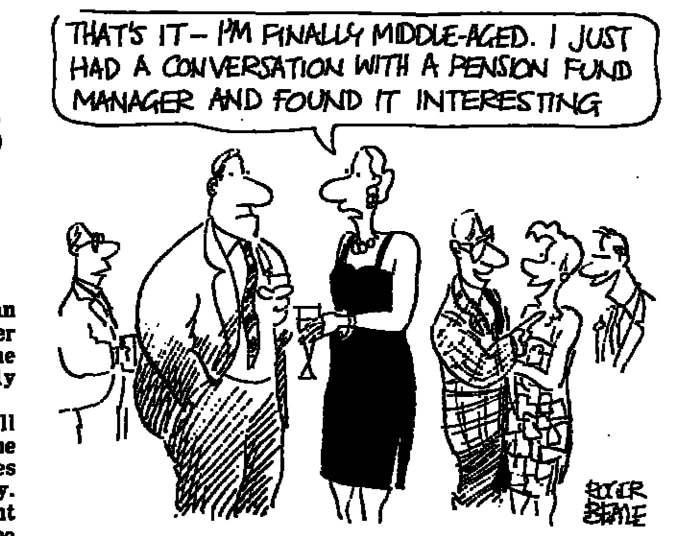
It is getting a little rosier in the custodian's garden. Events are moving apace in custody and settlement procedures both globally and domestically. Improving standards are being speeded by international regulatory drives and technological advances.

From June the settlement period on the London Stock Exchange will be halved to five days meaning securities will have to be paid for and delivered no later than five days after the deal is struck. The move comes just under a year after the London market first embraced rolling settlement on a 10-day basis and the shift to five days is a leap viewed with a mixture of approval and trepidation.

The ultimate aim in the UK is for same-day settlement but that is dependent on the operation of paperless trading. Crest, the system for paperless share settlement, is being developed by the Bank of England to replace the present Talisman system operating on the exchange. It is scheduled for trials by market participants early next year with full implementation set for the second half of 1996.

Swifter settlement in the UK market is part of a worldwide trend stimulated by the desire to reduce the risk of failed trades and by the growing internationalisation of securities. London agreed to the advances in 1989 after an international call for faster settlement by the G30, the Washington-based study group.

From June, the UK will move more in line with the leading financial centres which settle more speedily. The US runs rolling settlement on five days; Japan on three days; France on three days and Germany on two days. In the emerging markets the situation is tougher and custody and settlement arrangements can be slow and complex. But many emerging markets have come a long way in a short time with their financial infrastructures growing up quickly. Taiwan, for example, is heralded by many custodians as a model of efficiency. It settles on a T+1 basis although that can be extended for foreign transactions.



Pension fund investment, as with all forms of securities activity, cannot help but be a beneficiary of reduced settlement periods and improving registration methods for securities in overseas markets. While pension funds do not tend to move in and out of stocks with great rapidity, they will benefit from reduced risk and the smoother running of custody and settlement.

But faster settlement will

> From June, the UK will move more in line with the leading financial centres which settle more speedily

bring more pressure for stock lending. Already the practice has increased quite significantly since the switch to 10-day rolling settlement from the old two and three-week trading accounts. Stock lending, the lending of securities to another party which has a temporary need of them, has become more widespread now marketmakers have to balance their books daily instead of at the end of a settlement period. The increase in stock lending has gone some way to making it a more established and acceptable practice.

But for many pension fund trustees it sends a chill to the heart which is summed up in two words – Robert Maxwell, who was fond of shoring up his empire with stock borrowed from his pension funds. Many pension fund investment managers say they will not lend stock although they recognise the growing demand for doing so which will inevitably increase when five-day settlement arrives.

Robert Maxwell, the Hannibal Lecter of pension fund investment, also serves as a reminder that the argument for independent pension fund custodians remains a live issue.

Recently, the Barings debacle put a little more vim into the debate of whether pension fund trustees should appoint custodians who are independent of fund managers. The Barings crash, while a different issue from the Maxwell pension scandal, cannot help but focus the mind on safe custody. And in this it highlights the polarised positions of the large banks, which act as global custodians, and the leading fund managers, which provide their own custody services.

After Maxwell was found to have plundered £440m from pension schemes under his control, global custodians argued for regulations to ensure that custodians are separate from fund managers. The Goode Committee on pension fund regulation considered such a proposal although eventually decided against recommending it.

While the large banks, whose global custody services form an increasing part of their business, cite Maxwell as a reason for independent custodians the strong lobby of fund managers who provide in-house custody say this is nonsense.

Brian Scott, head of custody operations at Schroder Investment Management Limited, argues: "The view expressed by global custodians that an independent custodian would have protected the Maxwell pension funds is not proven. Instructions by trustees of pension funds issued with the intention of fraud would be, depending on the level of sophistication, difficult for custodians to detect. For global custodians to infer, through their over-zealous marketing, that they are better equipped to resist these attempts than the integrated houses, who can ensure that fund management and custody are procedurally separate and who for many years have provided efficient segregated custody services, may be viewed as misleading trustees."

The National Association of Pension Funds is neutral on the issue. John Rogers, the secretary of the association's investment committee, says: "We don't have a problem with the investment managers for pension funds having custody although custody should be conducted via a separate arrangement."


The shadow of Barings Bank looms over the debate on safe custody

But the large banks are investing heavily in technology to improve their custodial services and to lure fund management clients. Recently the Prudential opted to take on an external custodian for its global custody business on the grounds that it would have to incur high-technology costs if it were to keep pace with developments in custody.

There are also signs that pension fund trustees are becoming keener to know the breakdown of what they get for their management money and what part is for custody. It is not easy. The large fund managers say they do not charge for custodial services and a client who opts to have an independent custodian will not get reduced rates.

Regulation of custody could help costs become more transparent and make pension fund trustees happier.

But there are no plans for regulation so far. The government has rejected appeals for such a move on the grounds that it would be costly and that it smacks of over-interference. However, Parliamentary debate could yet lead to changes here.

The garden is getting rosier but one or two thorny issues still beset pension fund custody and settlement.

DERIVATIVES: interest continues to grow, says **Richard Lapper**

Treading cautiously in a profitable market

Cautious pension fund trustees have had plenty of reminders over the past two years about the dangers of derivatives. The failure of Barings Bank in February this year was the latest of a string of derivatives-related financial disasters. Yet the pension fund managers are slowly increasing the extent to which they use derivatives and the banks and securities houses which sell futures, options, swaps and more complex derivative products see pension funds as an important and growing market.

Recent research by Intersec, a US research consultancy, and The European Managed Futures Association (EMFA), demonstrates the extent of the uptake by European pension funds. In the research, published in April this year, Intersec and EMFA conducted in-depth interviews with the managers of 350 European pension funds. More than half the funds interviewed used derivatives, either directly or through the outside firms to which they contract responsibility for fund management.

According to the survey, pension funds make the greatest use of derivatives for the purposes of tactical asset allocation, a technique which allows fund managers to move out of one asset class and into another relatively cheaply. One hundred and eight of the 350 European funds used derivatives for this purpose.

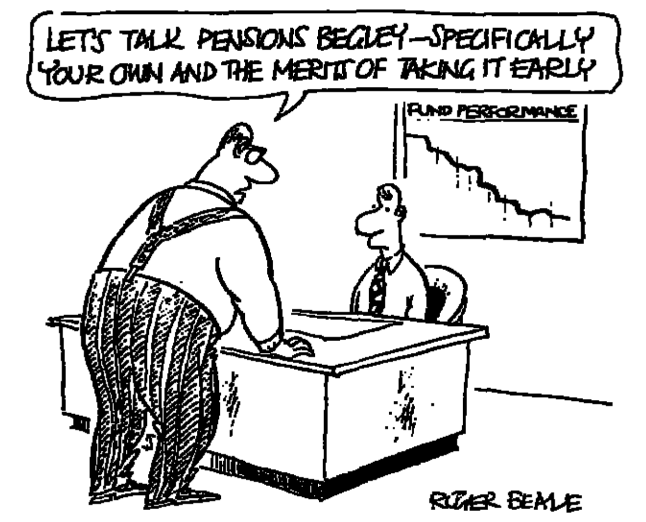
Using traditional methods, a fund manager wanting to switch a part of his investment from UK to US equities would typically sell UK equities and then over a period of time buy US stocks. Using derivatives – usually contracts traded on exchanges such as the London International Financial Futures Exchange (Liffe) – fund managers would sell the FTSE stock index futures and buy the S&P 500 stock index contract, subsequently buying and selling individual underlying shares according to market conditions.

As well as allowing managers to switch their funds from one investment category to another more easily, the costs involved in tactical asset allocation are generally lower. Intersec also found that the use of derivatives for hedging currency and interest rate risk was also relatively widespread. Here pension fund managers would buy put or call options or adopt strategies using futures contracts.

Intersec's research showed that only a small percentage of pension fund managers – some 4 per cent of those interviewed in its survey – invest in managed futures or structured derivatives funds, which use futures and options as their primary means to gain exposure to markets. Such funds usually invest in a combination of cash or bonds and exchange-traded derivatives. Specialist derivatives funds – known as managed futures or structured derivatives – offer this kind of exposure.

Nevertheless the survey found a high level of fear and misunderstanding about derivatives among investment managers and pension fund trustees.

Restrictions outlined in investment guidelines limit the use of structured derivatives at 56 per cent of the institutions.



Poor understanding by management, regulatory restrictions, negative press coverage and the lack of a recognised benchmark also depressed usage in this respect.

"The poor image that derivatives in general have, feeds directly to the trustees or investment committees, creating the impression at this level that derivatives are risky, dangerous and only for speculators," said Intersec.

However, Intersec argued that such concerns are slowly being overcome as pension funds become more familiar with derivatives.

Intersec's findings reiterate the conclusions of other recent investigations. For example, research completed in January 1994 by Buchanan Partners found that 57 per cent of 166 UK pension funds used some form of derivatives. Funds in the range between $251m and $500m were the most active users.

And these findings are supported by more anecdotal evidence. For example, the interest of pension fund managers in education programmes run by the London International Financial Futures and Options Exchange, has been rising steadily.

A recent survey by Liffe found that pension fund trustees for local authority pension funds – which account for about 30 per cent of UK pension fund money – have been increasingly giving permission to their fund managers to use derivatives, according to Ms Sandy Phillips, manager equity products at Liffe.

Because local authorities are legally obliged to regularly review the management of their funds, the pension fund manager's remit is reviewed very regularly, says Ms Phillips. About half the pension funds which have permission are using derivatives, she adds.

Part of the reason for the increase is the modification of the tax and regulatory framework. The 1990 Finance Act clarified the tax treatment of derivatives for pension funds. In addition, there is a growing self-confidence about derivatives within the industry. Guidelines developed by the British Rail Pension fund have been circulated by Liffe and widely adopted in the UK.

The guidelines state that futures and options should be used for investment rather than trading purposes and that pension funds should not use them to gear up or leverage their investments.

Changes in investment strategy and tactics involving the use of derivatives should be discussed with trustees. "The comfort factor is being built up gradually for both trustees and fund managers," says Ms Phillips.

Certainly there is growing recognition among banks that pension funds represent a growing market for derivatives products.

Stephen Oxley, vice-president at Intersec, expects pension fund use of derivatives to grow, as understanding increases. In particular, he predicts much bigger levels of investment in managed futures funds in Europe.

The final stages of Intersec's research coincided with the collapse of Barings Bank and the fact that derivatives were again on the front pages of newspapers.

According to Mr Oxley, however, the effect was not nearly as negative as might have been expected. Management failings rather than the fundamental problems of derivatives instruments frequently figured in explanations of the disaster, helping to persuade some sceptics that there is nothing inherently dangerous in futures and options.

EXTERNAL MANAGEMENT: the trend away from in-house teams is continuing, says **Norma Cohen**

More companies switch to outside experts

Can companies which are good at making machine tool parts and textiles also be good at investment?

Increasingly, it appears, companies are saying no. Recent moves by two large UK pension schemes to abandon their long-standing internal fund management divisions, is evidence of a growing trend on both sides of the Atlantic Ocean to look outside for professional investment expertise.

Imperial Chemical Industries, the UK's tenth largest corporate pension scheme, quietly abandoned its long-standing in-house investment team following a review of the assets and liabilities of the £4.6bn scheme. Meanwhile, Coats Viyella, whose pension assets are roughly £900m, closed its internal pension fund management division and farmed out the management of the scheme to four external managers.

It is a trend that has long been under way in the US, consultants say. Data from Intersec, the US-based pension fund research consultancy, show that at the end of 1992, little more than a quarter of the $3.2bn in US pension assets was managed internally. This contrasted with roughly 40 per cent of UK pension assets at the same time. And on the Continent, the percentage of internally-managed pension assets is even higher.

However, investment consultants and pension managers point to several factors which they say are hastening the trend towards external management in the UK and abroad.

The first is a restructuring of the industrial base in both the US and the UK. Years of recession and fierce competition from abroad have forced manufacturers, in particular, to focus more closely on their core businesses and contract out non-core functions. Pension fund management and administration are among those non-core businesses.

Moreover, the universe of investment has expanded greatly. While investment in, say, shares of small companies based in Thailand, would once not have been considered for a pension portfolio, today such investments are no longer deemed to be unacceptable.

The latest figures from Intersec Research show that in the US, the proportion of US assets invested abroad has grown dramatically in the past two years. At the end of 1994, roughly 8 per cent of the average US pension scheme was invested overseas, up from 4.7 per cent at the end of 1992. In dollar terms, the value of overseas assets has roughly doubled in two years, hitting $303bn by the end of last year.

With such rapid expansion into new asset classes, the demand for fund managers with highly specialised skills has sky-rocketed. "We concluded that the investment waterfront has broadened considerably," said Sam Dow, Coats Viyella company secretary, in explaining why his company opted out of internal fund management. "There are many areas where in-house managers don't have the expertise or the technology to do the job effectively," he said.

Indeed, Shell Oil, which is considering expanding the proportion of funds which it manages externally, has also cited the rising cost of hiring fund managers with expertise in new asset classes. Large external managers can often afford to pay more generous salaries to rising stars than can in-house managers.

Also, the growing use of technology by fund managers has raised the cost of running an in-house team. Unless a fund is of a large enough size – or the in-house manager is able to attract business from outside – the investment in computer systems may not be worth the gains it achieves in investment performance.

Moreover, the growing awareness of the fiduciary duties of trustees in the UK and in the US may also be driving the move towards use of external managers. "Lawyers usually raise red flags about issues of trusteeship," said Mike Beasley, managing director at Strategic Investment Solutions, a California-based investment consultancy. "If your in-house manager underperforms, you have taken on a liability which is much harder to defend."

Where in-house managers have traditionally had the edge over external management is in the area of costs, consultants say. But recent intense competition for new business is compressing external managers' fees to the point where they may not be significantly higher than the costs of managing funds in-house, says Alan Emkin, managing director at Los Angeles-based Pension Consulting Alliance.

While both ICI and Coats Viyella had recently experienced poor performance from their in-house managers, poor investment returns have not apparently played a crucial role in the decision by these companies to use external managers. Indeed, over the previous five years, Coats Viyella's in-house team had actually outperformed the median UK fund manager's performance.

Data from WM Company, the UK performance measurement service, show that over the long term, there is statistically little difference between the returns of internal and external managers. In the five years to 1994, internal managers achieved average annual returns of 16.9 per cent exclusive of property while external managers achieved returns of 16.8 per cent.

CIN Management, the in-house fund management arm of British Coal's pension schemes, has out-performed the industry median in recent years. British Coal's announcement that it is up for sale as part of its privatisation has attracted great interest from existing external fund management companies in the UK and abroad who are eager to acquire its investment teams.

And several internally-managed US pension schemes are so adept at fund management that they have broadened their product base to include a range of mutual funds which are marketed to employees.

Moreover, says Alistair Ross Goobey, chief executive of Hermes Pensions Management (formerly PosTel, the in-house manager of the British Telecom and Post Office pension schemes), it does not appear as though the size of the assets under management are the issue. "There's no hard and fast rule about this. Some small funds have done very well being managed internally," he says. He cited Courtaulds and RTZ as two companies which have done well out of managing their funds.

Mr Ross Goobey argues that what an in-house manager offers over external management is consistency of approach. "A lot of external managers are eclectic. They change their style when the markets change." However, Mr Ross Goobey says that there are times when it is appropriate for an in-house manager to look outside for expertise. "For specialisation, where you are not able to appoint somebody, it is better to go external."

MATURITY OF PENSION SCHEMES: **Barry Riley** reports

Age need not slow pace

When the actuaries begin to look young you may suspect that the years are catching up on you.

Time is also catching up on Britain's pension funds. Most have been established for many decades. When they are young, cash floods in and accumulates, and the eventual need to pay out to pensioners is only a distant worry. But during the past 15 years, in particular, the workforces of larger companies or nationalised industries have tended to shrink while their armies of pensioners have grown more numerous.

This is when trustees begin to call for asset-liability studies, which are analytical exercises carried out by actuarial firms to assess whether scheme assets will satisfactorily match the pensions pay-out profile. Yet such studies are regarded as expensive and sometimes contentious.

One firm of actuaries, however, Alexander Clay, is now offering clients an interactive model which can be run on a personal computer to simulate factors such as rising maturity.

An extreme case of maturity is that of the British Coal pension scheme, which once had hundreds of thousands of contributing members, but which had seen the workforce shrink to a tiny fraction of that before the privatisation of the remaining pits served to detach the pension plan entirely from its active membership.

So the £16bn pension scheme is highly mature, being largely focused on pensioners in payment, together with an element of deferred pensioners who will begin to be paid at some time in the future, depending on their particular retirement ages. So there is next to no income, but an increasing requirement for cash to be released to finance the monthly pension cheques.

This is an extreme case, but according to a recent survey by the National Association of Pension Funds the average member fund now has only 5,000 members compared with 4,700 pensioners in payment and 2,800 deferreds. A typical scheme such as this will have a large proportion of its liabilities concentrated within the next 10 years or so. But an immature scheme, run by a company with a mostly young workforce, might have insignificant liabilities during the next 20 years or more.

Actuaries have found, to their frustration, that pension funds have in the past paid very little attention to their liability profile in setting their investment strategy. They have preferred to chase consensus strategies and high investment returns without considering whether their risk tolerance is as great as for other, younger, funds.

Mature schemes have to worry about selling assets in order to pay pensions. They will be damaged if they have to dispose of volatile assets at the bottom of a market. Less volatile assets may be preferred even though the investment returns on these will be comparatively low.

On the other hand, an immature scheme does not have to worry about forced disposals. It will have a positive cash flow from contributions into the distant future. Its managers can afford to chance their arm in, say, emerging markets in the confident expectation of being able to ride out a bear market. They will not much mind that investment theory states that the highest-yielding assets are also likely to be the most volatile.

Besides basic investment risk, there is also the important factor that different categories of liability have different characteristics. For active members the liability is normally linked to salary at retirement. Deferred pensioners have a statutory protection on the basis of limited price indexation – that is, inflation up

When they are young, cash floods in, and the eventual need to pay out to pensioners is only a distant worry

to a ceiling of 5 per cent. Pensioners in payment have no statutory protection at present, but may be given promises (sometimes legally binding, but usually only conditional) of rises of anything up to full indexation.

Equities are generally considered to offer the best match for future final salary-linked liabilities. Profits and dividends, and therefore share prices, are likely to grow in much the same way as pay in the long run. In this context, equities offer protection against unexpected increases in inflation.

Index-linked gilts provide the best match for inflation-linked pension promises. Fixed interest gilts can be used to secure fixed pensions. LPI-based liabilities are more difficult, but a mixture of fixed and index-linked gilts may be appropriate.

Several fund management houses are targeting the specialist bond mandates that are now being increasingly offered by mature pension schemes. "The maturity argument is gaining ground quite rapidly," says Mr Roger Hunt, head of marketing at AMP Asset Management in London. "We find that our clients are ring-fencing a specific liability and are usually setting customised benchmarks."

Official statistics indicate that UK pension funds bought nearly £10bn of gilts last year, and they are likely to remain regular purchasers. Oddly, however, some of the industry statistics show an important element of overseas bonds, especially in the portfolios of the smaller, more aggressively managed pension schemes.

Thus Caps, one of the two big performance measurement services, showed an average 6.2 per cent allocation to overseas bonds at the end of 1994, against 7 per cent in sterling bonds (including index-linked). But on a weighted basis there was only 4.1 per cent in overseas bonds against 10.4 per cent in gilts. It seems that big funds, which are also likely to be the more mature, have been substantially building up their index-linked weightings, in particular.

Where do overseas bonds fit into this picture? They do not directly match domestic pension scheme liabilities, but they may offer attractive diversification possibilities, just as overseas equities add diversification to UK equity portfolios.

According to Nicholas Holliday, marketing director of Fiduciary Trust International, which is active in international bonds, risk/return studies have shown that diversification is appropriate. "The consensus among UK pension funds is that overseas bonds have become more attractive in recent years, as the increase in weightings shows," he says.

In the past, however, pension funds have been reluctant to make substantial commitments to gilts because of the fear that the cost in terms of inferior performance would be unacceptably high. During the 1980s gilts underperformed UK equity returns by 8 per cent a year on average.

In the first half of the 1990s, however, fixed interest gilt returns actually beat those on equities, albeit by a small margin. According to the third-biggest UK pension fund managers, Schroders, in a recent strategy review, this pattern may broadly persist, with gilt returns likely to be similar to those on equities up to the year 2000.

This means, say Schroders' strategists, that pension funds which want to increase their bond exposures have an unusual opportunity. They may want bonds either to match a mature liability profile or to reduce the risks associated with the minimum solvency standard being introduced by the Pensions Bill.

Either way, the performance penalties associated with a shift towards bonds look like being unusually low in the next few years.

Many pension funds are getting old, but they may not, after all, need to slow down too much.

CORPORATE GOVERNANCE

Red signal for the gravy train

Boardroom remuneration is a matter for shareholders to sort out, John Major, the prime minister, has repeatedly insisted in the House of Commons when questioned about the provocative pay increases enjoyed by the bosses of privatised utilities.

Recently, however, he has changed his position, hinting that legislation might after all be considered. The change probably reflects the need to respond to obvious public outrage rather than any doctrinal shift. But the politicians are becoming irritated.

It has certainly appeared that most institutional shareholders have been less than assiduous in controlling the escalation in executive rewards, with one or two honourable exceptions like Alastair Ross Goobey, chief executive of Postel, which manages the investments of the Post Office and British Telecom pension schemes.

Too many top people at leading investment institutions, it could be argued, have first-class seats on exactly the same gravy train as the electricity and gas chiefs. Prudential Corporation, Britain's biggest institutional investor, was itself sometimes criticised for over-paying its former chief executive, Mick Newmarch, who resigned in January on an unrelated issue. But pressure is building for the institutions to get a grip.

There have been several high-profile cases recently. Cedric Brown of British Gas has twice been hauled before a House of Commons committee, and controversy is threatened at the annual meeting of British Gas next month. PIRC, a corporate governance consultancy which advises many British and American pension funds on UK issues, has devised a resolution which calls on the company's directors to "revise their executive pay policy in line with best practice". It is lobbying for broad institutional support.

American institutions were behind the protests last year over Maurice Saatchi's benefits package at the eponymous advertising agency. David Herro, a Chicago-based investment manager, led the campaign which resulted in the departure of the Saatchi brothers amid much recrimination.

Macho attitudes have been quite common among the big American pension funds, led by the giant Californian public sector scheme Calpers, and voting on corporate issues is seen as a matter of duty and care. British institutions, however, have been generally reluctant to become involved

Maurice Saatchi: US led the campaign to oust him

in governance issues. A few, notably the Prudential, have made a practice of voting on all resolutions. In general, however, the exercising of proprietorial responsibilities has been seen as time-consuming and usually unrewarding.

But pressures are building on the institutions – of which the pension funds represent the biggest group – to take a more constructive approach. After the excesses of the late 1980s the hostile takeover bid is no longer seen as a satisfactory solution to the problem of poorly-performing companies.

Institutional investors also have to consider the possible implications of a Labour win at the next general election, in which case ideas of long-termism and multiple stake holder responsibilities are likely to be pursued. Selling in the market or to a bidder may not in future be such an easy exit route from an unsatisfactory investment.

But shareholders run the risk of being sidelined. Investment institutions have not been centrally involved in promoting either of the two big corporate governance initiatives of recent years, the Cadbury Committee, which reported in 1993 on financial reporting and board structures, and the Greenbury Committee, which is at present devising a code of practice on executive pay.

However, the Greenbury Committee includes representatives from the National Association of Pension Funds and the Association of British Insurers. But the organisation which represents private investors, ProShare, was furious at being refused the opportunity to put forward a nominee.

The Cadbury Committee was mainly sponsored by the Financial Reporting Council and the chartered accountants together with the Stock Exchange, bodies which felt some responsibility for the series of scandals in the 1980s. The Confederation of British Industry and the Institute of Directors were also involved, and it is the CBI which has sponsored the Greenbury investigation into pay.

Cedric Brown: twice hauled before a House of Commons committee

Beyond Greenbury, a second Cadbury-style committee is to be established, by the original sponsors, to inquire further into governance questions, including pay.

In this area the NAPF has called for a tightening of the rules, notably a clampdown on excessive contract lengths, which have often run to three years in the past but are recommended to be cut to one. The ABI has been less aggressive in this respect, probably because of the sensitive position of a number of insurance company bosses. Both bodies, however, have set out a code of practice for grants of share options.

In addition, the NAPF has developed an early warning system to monitor sensitive areas. This is designed to alert member schemes to the few controversial resolutions at annual or extraordinary general meetings which may be hard to spot among the constant stream of routine and uncontentious proposals.

It remains to be seen how much time and energy pension schemes will be prepared to devote to proprietorial responsibilities. A common theme expounded by institutional investors is that they are not there to tell boards of directors how to run their companies. But as investors they can judge when things are going wrong. The contribution of the Cadbury Report was to explore and codify the role of the non-executive director, an independent outsider who is expected to represent the interests of shareholders in general.

Non-execs have proved to be valuable in corporate crises, when they can take the initiative, perhaps by seeking to restructure the board and move the company in a new direction. They have their limitations, however, as in the difficult area of executive pay, where their presence on remuneration committees has not prevented the escalation of salaries and bonuses in a way which is provocative to the public and inadequately justified to shareholders.

As the Saatchi & Saatchi affair showed, governance is acquiring an international dimension. There are significant issues to be tackled, for instance, in Continental Europe, where US and British pension funds are becoming disproportionately important shareholders, in the absence of substantial local long-term equity-owning institutions.

Corporate governance structures tend to be very country-specific. In Germany, for instance, they are dominated by the big banks, and in France there is much networking with politicians, nationalised industries and the civil service. Privatisation in France has been marked by the installation of *noyaux durs*, or core shareholders, which block the lines of responsibility between the board and shareholders at large.

Pension funds around the world are beginning to appreciate the need to collaborate in order to defend their mutual interests. Associations of investors in a number of countries, including the US, Canada, Australia, Germany and the UK, have agreed to exchange information on corporate governance issues.

But there is a very long way to go before common governance standards can be applied even throughout Europe, let alone across the range of emerging economies into which so much institutional money has been poured in the past two or three years.

Barry Riley

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IN BRIEF

Hochtief lifts stake in rival

The feud between Germany's two biggest construction companies intensified when Hochtief bought another 4.9 per cent of Philipp Holzmann. The purchase lifts its stake in the larger rival to 24.9 per cent. Page 16

Samsung expects rise as chip sales boom
Samsung Electronics, South Korea's largest electronics maker, predicts a net profit of $2.3bn for 1995, an 86 per cent year-on-year increase due to booming chip sales. Page 18

Strong start for Bayer
Bayer became the second of Germany's big three chemicals groups to report strong first-quarter results. The pre-tax result rose 35 per cent to DM1.02bn ($747.3m) following growth in sales and price increases. Page 16

Serfin shows 47% decline in first quarter
Grupo Financiero Serfin, the financial group which owns Banca Serfin, Mexico's third-largest bank, reported first-quarter earnings of 171m pesos ($28m), a 47 per cent fall from last year. Page 18

Cerus hit by provision for banking unit
Cerus, the French holding company controlled by Italian industrialist Mr Carlo De Benedetti, announced a loss of FFr675m ($140m) for last year, after exceptional provisions of FFr680m at its banking subsidiary. Page 16

Lion Nathan boosted by demand for beer
Lion Nathan, the biggest brewing group in Australia and New Zealand, reported a 14.6 per cent increase in earnings to NZ$136m (US$91.89) for the six months to February 28, which directors said was due to an improving Australian beer market and operational efficiencies. Page 18

Eramet more than doubles net income
Eramet, the world's biggest producer of ferro-nickel and high-speed steels, saw net income in 1994 more than double, to FFr244m ($51m) from FFr120m. Page 17

Birthday Bank of Scotland advances 67%
Bank of Scotland marked its 300th anniversary by announcing a 67 per cent rise in pre-tax profits from £268.7m to £449.7m ($725m) in the year to February. Page 20

Lloyds buys NatWest global custody arm
NatWest Markets, the corporate and investment banking arm of National Westminster Bank, has agreed to sell its global custody business to Lloyds Bank for £16.9m ($27.2m). Page 20

LDV makes £18.3m for year
LDV, formerly known as Leyland Daf Vans, made pre-tax profits of £18.3m in its first full financial year since a management buy-out from the receiver of Daf, the Dutch truck company, in April 1993. Page 21

Convenience wins out in Japan
Japan's convenience stores emerged as the winners when the country's retailers released their annual financial results last week, with steady rises in sales and earnings. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	749	+	34
Asko	620	+	30
Herlitz	264	+	8.8
Rheinmetall Pf	180	+	5.5
Volkswagen Pf	302	+	12
Falls			
Hoechst	296.2	-	10.8
NEW YORK ($)			
Rises			
Ivax	22⅛	+	2⅛
Natl Semicondctr	22⅝	+	1¼
Falls			
Chrysler	41⅝	-	2⅝
[illegible]	45⅞	-	4⅜
Readers Digest	41	-	6⅞
Titan Wheel	23⅛	-	2⅝
LONDON (Pence)			
Rises			
Air London	58	+	5
[illegible]	93	+	7
DFS Furniture	273	+	22
Dixons Motors	142	+	11
[illegible]	56	+	6
Falls			
[illegible]	253	-	50
TORONTO (C$)			
Rises			
Caldwell	13¼	+	1¼
Dominion Pert	43⅞	+	2⅞
Intl Musto Expl	15	+	2⅞
Potash	73⅞	+	4⅞
Falls			
[illegible]	7⅞	-	⅞
[illegible]	17	-	1¼
PARIS (FFr)			
Rises			
Chargeurs	868	+	32
Pechiney Intl	126.9	+	8.9
SGS-Thomson	177.5	+	10.4
Valeo	245.5	+	7.5
Falls			
Elf Aquitaine	344.1	-	10.9
Rhone Poulenc A	117.5	-	4.8
TOKYO (Yen)			
Rises			
Chiba Bank	810	+	36
Fujita Kanko	1540	+	70
Nagase	793	+	32
Nippon Sheet	658	+	31
Toshiba Mach	499	+	22
Falls			
Zexel	595	-	24
HONG KONG (HK$)			
Rises			
Cathay Pacific	0.87	+	0.07
Hop Ying Intl	0.93	+	0.04
Li & Fung	5.2	+	0.2
Falls			
Swire Pac A	58.5	-	2.0
[illegible]	3.05	-	0.4
Wing On	8.0	-	0.5
BANGKOK (Baht)			
Rises			
[illegible]	75.5	+	7.0
[illegible]	53	+	4
[illegible]	68	+	6
Falls			
[illegible]	76.0	-	8.5
Siam City	93.5	-	7.0
[illegible]	93.5	-	7.0

New York and Toronto prices at 12:30.

Philips more than doubles profit

- Sales rise restrained by strong guilder
- Most sectors contribute to advance

By Ronald van de Krol in Eindhoven

Philips, the Dutch electronics group, said yesterday that net profit before extraordinary items more than doubled to Fl 544m ($351m) in the first quarter of 1995 from Fl 260m a year earlier, easily exceeding most analysts' forecasts.

The company also reported an extraordinary gain of Fl 200m, due mainly to the flotation of a minority stake in ASM Lithography, its Dutch-based chip-wafer subsidiary. This boosted total net profit to Fl 744m, a near trebling of earnings compared with the 1994 first quarter, when no extraordinary gains were booked.

Sales grew by 13 per cent on a comparable basis, surprising even Philips. However, Mr Dudley Eustace, finance director, noted that half of this increase was "wiped out" by the strength of the guilder against the dollar and a range of other currencies. Overall, group turnover rose by 7 per cent to Fl 14.62bn.

He attributed the strong performance partly to economic recovery but also to a changed mentality within the company. He said Philips was now vigorously pursuing growth again after years of concentrating mainly on restructuring in the early 1990s. The change in attitude meant that there was a company-wide "desire to grow the business and win", he said.

Mr Eustace cautioned against extrapolating the first quarter results for the full year, citing uncertainties on foreign exchange markets as well as the possibility of higher interest rates, which could dampen demand.

First quarter operating profit was up 35 per cent at Fl 940m. The relatively steeper rise in net profit than operating profit was due to a decline in financing costs, reflecting reduced debts and lower interest rates, and to a fall in the effective tax rate to 20 per cent from 25 per cent.

The sales increase came virtually across the board. The only region which did not share in the rise was Africa, a relatively minor part of Philips' global operations. In terms of product sectors, the only exception to the sharply higher sales trend was professional products and systems, where turnover was up 1 per cent.

In consumer electronics, sales rose by 8 per cent on a comparable basis, while operating profit surged to Fl 133m from Fl 42m. Among the sector's strongest performers in the first quarter were projection television in North America and the car stereo business, which benefited from the recovery in the motor industry.

Philips' components and semiconductor sector saw a 28 per cent surge in sales and a 37 per cent rise in operating to Fl 510m, accounting for more than half of total group operating results. Mr Eustace said Philips saw no signs of any abatement in the industry-wide boom in demand for semiconductors.

Chrysler's shares fall as market scorns bid

By Richard Tomkins in New York

Shares in Chrysler, the US car manufacturer, fell $2½ to $41⅝ - nearly 6 per cent - in early trading yesterday as the market concluded that Mr Kirk Kerkorian's $55-a-share buy-out proposal was virtually dead.

The $22.8bn buy-out would have been the second biggest in corporate history. But late on Tuesday Mr Kerkorian acknowledged in a long, bitter letter to Mr Robert Eaton, Chrysler's chairman and chief executive, that he had been unable to arrange the necessary financing.

Mr Kerkorian ended by challenging Mr Eaton to put the buy-out proposal before shareholders. But yesterday, Chrysler said: "Chrysler is not for sale and the Chrysler board is not willing to gamble the future of the company or its employees in a leveraged buy-out."

Reinforcing the market's sentiment, Fitch Investors Service, a US credit rating agency, lifted its negative alert from Chrysler's debt and reaffirmed the company's single A minus rating, saying it now looked unlikely that Mr Kerkorian would be able to move his proposal forward.

"Additionally, no other entity has advanced a competing offer, indicating a high probability that none will emerge," Fitch said. The agency had been concerned that a leveraged buy-out by Mr Kerkorian would drain cash from Chrysler, to the detriment of the company's new product programmes.

Mr Kerkorian, a 77-year-old investor who holds 10 per cent of Chrysler's stock, complained in his letter to Mr Eaton that Chrysler had "openly intimidated commercial and investment banks into refusing to discuss the financing of the transaction with us, with threats of both commercial retaliation and legal action".

But Mr David Garrity, an analyst at Smith Barney, said Mr Kerkorian had "put himself into something of a conundrum" by initiating an offer without a strategic partner, such as another car manufacturer. "I think it became a situation where, without a strategic partner, financing was not easily available even before Mr Kerkorian's allegations that Chrysler was intimidating financial intermediaries."

Mr David Healy, an independent Wall Street auto analyst, said that if Mr Kerkorian's proposal were not dead, "it is certainly in intensive care".

Japanese deny plan to rescue troubled Kobe bank

By Gerard Baker in Tokyo

Japan's finance minister and central bank governor yesterday took the highly unusual step of publicly denying rumours that they were planning to launch a lifeboat to rescue one of the country's largest regional banks.

Trading in the shares of Hyogo Bank, based in the earthquake-devastated city of Kobe, was suspended after the publication of a newspaper report that suggested the authorities were about to save it from collapse.

But speaking from Washington, where they were attending Group of Seven meetings, both men vigorously repudiated the reports. Mr Masayoshi Takemura, finance minister, said: "We know Hyogo Bank's management troubles but the reported measures are not under consideration." Mr Yasuo Matsushita, governor of the Bank of Japan, added: "I have just received the report. It is absolutely not the case."

In Kobe, however, Hyogo Bank's president gave a less categorical denial. Mr Masateru Yoshida said merely: "I know nothing concerning the content's of today's newspaper report. We do not need a bail-out scheme for the time being."

The flurry of activity followed the publication in Nihon Keizai Shimbun, Japan's leading business daily, of the outline of a rescue package, including extra capital and soft loans to help the bank cope with its enormous burden of problem loans.

Hyogo Bank, with assets of more than Y3,967bn ($49bn) is among the world's 200 largest banks. Like most Japanese banks, in the late 1980s it lent heavily to affiliated institutions to enable them to conduct lending secured on Japan's booming property market – an estimated Y1,470bn in Hyogo's case. When property prices collapsed in the early 1990s, the bank was left with large contingent losses.

But it was the Kobe earthquake in January that critically undermined the bank's viability. The damage to largely uninsured property added to the bank's portfolio of non-performing loans and the local population's urgent need for cash for reconstruction led to a draining of deposits.

Even before the earthquake, Hyogo was reported to be suffering liquidity problems – it was unable to fund all its loans from deposits. Afterwards, the position deteriorated sharply.

Earlier this month the bank also announced losses of Y15.4bn on security evaluation adjustments as a result of the steep fall in equity prices.

The Nikkei report said the Bank of Japan and commercial banks, including Sumitomo Bank and Industrial Bank of Japan, would provide a capital infusion of Y100bn, while about Y120bn to offset write-offs would come from the Deposit Insurance Corporation, a scheme funded by commercial banks to protect small-lot deposits.

The authorities are particularly sensitive to such reports at the moment, as they are under heavy fire for their decision to rescue two troubled financial institutions at the end of last year.

Of the Hyogo report, Mr Mark Faulkner, analyst at S.G. Warburg in Tokyo, said: "This looks to me like a testing of the water. Although there is much opposition to using public funds to support troubled banks, officials may have concluded that the reaction would be different for an institution struck down by an earthquake."

Christopher Brown-Humes examines the appliance maker's global drive

Electrolux plugs into households all over Asia

When he goes to parties, Mr Leif Johansson, Electrolux's chief executive, likes to sneak into the kitchen to check out the household appliances. If he feels Electrolux can offer better models, he informs his hosts. "I have sold many cookers," he enthuses.

This sales effort, though, does not compare with the strategic drive which Electrolux, the world's largest maker of household appliances, has launched in an attempt to make itself truly global.

Moving beyond its core European and US markets, the Swedish company is seeking to build up its presence in eastern Europe, Asia, South America, the Middle East and southern Africa. The aim is to double sales in these "new" markets from SKr10bn, ($1.35bn), or 10 per cent of total sales last year, to 20 per cent in as little as three years.

"Many of these markets have opened up suddenly, due to political and regulatory changes, giving us opportunities that did not exist a few years ago," says Mr Johansson.

> 'We are not just arriving in an aeroplane and saying, now let's go and see where the market is'
> Leif Johansson

The drive comes at a time when Electrolux is making good profits again after three recession-hit years and a disposal programme which has focused its operations on three core areas – household appliances, commercial appliances and outdoor products. The aim is to increase volumes and make the most of synergies by concentrating on fewer segments in more markets.

Important considerations are the maturity of the group's main European and US markets, with annual growth rates of only 2 to 3 per cent, and the limited scope for enhancing its dominant positions in certain market segments. The group has 25 per cent of the European white goods market, for example, after last year's purchase of AEG's Hausgeräte division and it could face competition problems if it tried to expand further.

Emerging markets, by contrast, offer growth rates of up to 20 per cent a year. This could make them bigger than Europe and the US combined by the turn of the century.

Mr Johansson says this potential is too big to ignore. "You will see us making announcements perhaps every month, but at least every quarter, like a string of pearls over the next 20 years." Already this year Electrolux has announced moves to expand its presence in Turkey, Saudi Arabia, India and Singapore.

Different approaches are being adopted for different regions and countries, but acquisitions, joint ventures, enhanced marketing, and greenfield site developments are all involved.

The aim in eastern Europe, where sales last year were SKr2.3bn, is to offer similar products and gain the same market shares as in western Europe, via 100 per cent ownership of subsidiaries throughout the region.

The group has set up operations in Russia, Poland, the Czech Republic, Slovakia and the Baltic states and its 1991 purchase of Lehel, Hungary's largest white goods company, has given it a significant manufacturing base.

In Asia, there is a much greater need to adapt to local conditions. Ownership restrictions in India and China, for example, virtually compel the group to work through joint ventures with local partners.

In China, the world's fastest growing market, the company already has joint ventures in compressors, vacuum cleaners, and water purifiers, as part of plans to spend $100m on five plants in the country over the next three years.

In south-east Asia, the emphasis is on marketing rather than production, partly because these markets are too small to justify sizeable investments and partly because of the customs barriers between them. The group has set aside $50m to promote its products in this region.

Electrolux is broadening its focus on the premium end of the market to serve the emerging Asian middle class, but it is still not penetrating the mass market because of a reluctance to compete with local producers, who can produce basic products more cheaply. It has also been forced to adapt some of its products, such as refrigerators and washing machines, to local conditions and water availability.

According to Mr Lennart Ribohn, who heads the new markets division, Electrolux is prepared to invest up to $200m annually to bolster its position in emerging markets.

But Electrolux is not going to have things all its own way. It faces strong competition from local manufacturers in India and China, while in south-east Asia, Japanese and Korean groups are highly active.

It also faces a challenge from global rivals, such as Whirlpool of the US and Bosch-Siemens of Germany. Whirlpool is building up its operations in Asia and Latin America and it recently outbid Electrolux to form a joint venture in India.

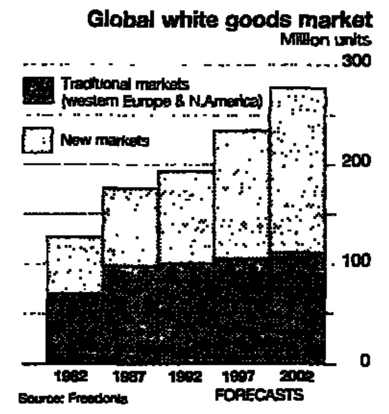
Electrolux claims it has two big advantages over rivals: a broader product range, covering everything from chainsaws and lawnmowers to washing machines and dishwashers; and, in Asia, an established infrastructure. "We already have local management teams and logistics, warehousing and invoicing functions," says Mr Johansson. "We are not just arriving in an aeroplane and saying, now let's go and see where the market is."

A long tradition of direct selling in Asia means the company has a platform from which to develop Electrolux brands. But as the markets mature, the emphasis on direct selling will diminish as the group concentrates on developing retail sales.

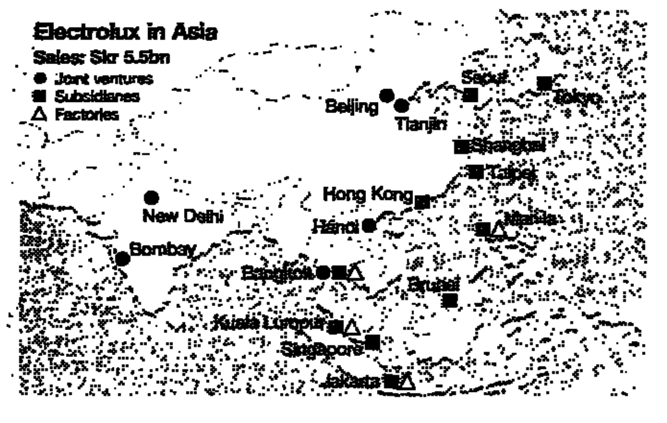
Mr Ribohn says it is already on target to become one of the top three suppliers of household goods in south-east Asia by 2000.

Product placement


Leif Johansson



Source: Freedonia



Peugeot gives design role to British plant

By John Griffiths in London

Coventry-based Peugeot Talbot is to play an active role in the design and development of future car ranges from Peugeot Citröen, its French parent company. It now only assembles cars.

The decision by Peugeot to involve its wholly-owned UK subsidiary in key development processes is the result of Peugeot Talbot having virtually closed the productivity gap between the UK and French plants, Peugeot Talbot's managing director, Mr Richard Parham, said yesterday.

He was speaking as Peugeot Talbot released details of a pre-tax profit of £9.5m ($15.4m) in 1994 from a £10.6m loss in 1993.

The decision has raised expectations that the Ryton plant in central England, which employs 5,500, will be given a second all-new model to produce alongside the 306 range it now builds. Any entirely new model would be unlikely to be added to Ryton's assembly line before 1998.

Ryton this week has begun production of a saloon version of the 306, the Sedan, which Mr Parham said would increase Ryton's output to nearly 90,000 units this year compared with 75,000 in 1993.

Of last year's output, 27,000 were exported. Ryton is now the sole source for Peugeot 306 exports to Japan.

Peugeot is to invest a further £150m at Ryton in the facility during the next five years.

Sales growth drives rise at Bayer

By Michael Lindemann in Bonn

Bayer yesterday became the second of Germany's big three chemicals groups to report strong first-quarter results. The pre-tax figure rose 35 per cent to DM1.02bn ($747.3m) following growth in sales and price increases.

It said it expected "substantial" sales growth for the rest of the year, and forecast that earnings would improve as the increase in raw material prices was passed on to customers.

Mr Manfred Schneider, chief executive, told shareholders at the annual general meeting that pre-tax profits for the full year were likely to rise about 15 per cent to DM3.8bn, from DM3.3bn last year. Turnover is forecast to rise 5 per cent to DM46bn.

Bayer joined a chorus of German companies in warning that exports may be dented by the sudden strength of the D-Mark against the dollar.

However, it said it was too early to assess the effects of these currency movements, especially as the dollar yesterday picked up again slightly against the D-Mark. "The company remains optimistic and sees no reason to alter its plans," Bayer said.

Hoechst, Germany's biggest chemicals group, on Tuesday reported a 94 per cent rise in first-quarter profits to DM984m. BASF, whose shares yesterday rose DM4.30 to close in Frankfurt at DM311, is expected to report first-quarter results this week.

While improved figures last year were being driven by stronger exports, the first-quarter results showed the German market had also picked up significantly, the company said. Group sales worldwide rose 6 per cent to DM11.7bn.

The improved results were driven by the chemicals businesses, the company said. Sales of polymers rose 15 per cent to DM2.2bn, while turnover of industrial goods climbed 10 per cent to DM2.1bn.

Bayer said capital spending in 1995 is expected to total DM3.5bn, of which DM700m has already been spent.

Cerus hit by provision for banking subsidiary

By John Ridding in Paris

Cerus, the French holding company controlled by Italian industrialist Mr Carlo de Benedetti, yesterday announced a loss of FFr675m ($140m) for last year, after exceptional provisions of FFr680m at its banking subsidiary.

It said the loss, which compares with a deficit of FFr251m in 1993, reflected a strategic decision to cleanse the balance sheet at Banque Duménil Leblé. It said tough measures at the banking division would allow a return to profit for the group this year.

The banking division, which has been hit by the downturn in the property market, suffered a loss of FFr800m, including the exceptional provisions. According to Cerus, however, risks at the banking unit are now "negligible".

Elsewhere, the holding company announced healthy progress. "[Last year] was marked by a very strong profits increase in the industrial subsidiaries of the group," Cerus said. Its earnings from Valeo, the French automotive components company in which Cerus holds a 28 per cent stake, rose to FFr246m from FFr206m.

Cofir, which groups Cerus's Spanish operations, and Cofinec, which covers its central European activities, also saw gains. They added FFr27m and FFr6m, respectively, to group profits.

Duménil Leblé's problems are typical of businesses exposed to the French property sector. Yesterday, GAN, the state-owned insurer, announced losses of FFr5.3bn, mainly blamed on property.

Cerus has been seeking to sell its banking subsidiary, but has so far failed to find a buyer. The company indicated yesterday it was no longer searching for buyers, although withdrawal from the banking sector remained an objective.

The group plans a capital injection at Duménil Leblé, aimed at raising its solvency margin to 8 per cent. Net debts at the group stand at FFr380m, compared with shareholders' funds of FFr3.84bn.

GAN shrugs off losses, page 17

Hochtief boosts stake in bigger rival to 24.9%

By Michael Lindemann

The feud between Germany's two biggest construction companies intensified yesterday when Hochtief bought another 4.9 per cent of Philipp Holzmann. The purchase lifts its stake in the larger rival to 24.9 per cent.

Essen-based Hochtief bought the shares from Commerzbank, Germany's third biggest bank, for an undisclosed sum.

However, the bigger stake still does not give Hochtief the control over Philipp Holzmann it vowed to achieve last September when it bought Holzmann shares from other German banks.

The tussle between the two companies has since become one of the most controversial in German industry.

Hochtief says it does not want to merge with Holzmann, but rather seeks control of the company. It wants the two groups to co-ordinate their resources in bidding for international contracts, where they often face competition from larger international groups.

Holzmann has tried to fight off the challenges by arguing that competition in Germany would be hurt if Hochtief won control, as it is 56 per cent owned by RWE, Germany's sixth biggest company with interests in electricity and a variety of other sectors.

Hochtief says it needs between 35 and 40 per cent of Holzmann to control the voting at shareholder meetings.

Its attempts, however, were blocked in January by the German anti-trust authorities, which said control of Holzmann would give Hochtief a dominant position in the German market. Hochtief has appealed against the ruling, but a judgment is not expected at least until the beginning of next year, the company said.

Hochtief has been talking to BfG Bank, a subsidiary of Crédit Lyonnais, the troubled French banking group, in the hope of buying its 10 per cent Holzmann holding if the company wins its appeal against the anti-trust authorities.

Holzmann's largest single shareholder, with 25.9 per cent, is Deutsche Bank, Germany's biggest. While it has a general policy of scaling down its shareholdings in industrial companies, it has refused to say whether it would sell its Holzmann shares.

Stet in race for holding in Czech telecoms

By Vincent Boland in Prague

Stet International of Italy has made an initial bid of $950m for a stake in SPT Telecom, the Czech Republic's state telephone company for which the government is seeking a strategic foreign partner.

Stet's offer places it second – in terms of bid size – of the five bidders contesting the international tender for the 27 per cent stake, as the competition moves into a second phase.

CeTel, a consortium of Ameritech and Deutsche Telekom, leads the race with an offer of $1.05bn. TeleDanmark is third with an indicative opening offer of $900m.

Telfar, a consortium grouping Bell Atlantic and France Télécom, has offered $850m, while TelSource, which groups PTT Telecom Netherlands and Swiss Telecom, has bid $750m.

The five bidders are due to receive new documents on SPT in the second week of May. They will then have about three weeks to submit final offers, but money is not the only criterion.

The Czech government has emphasised technological aspects of the bidders' plans for modernising the country's antiquated phone system.

TeleDanmark's offer is understood to rate highly in this category, with Stet in second place, ahead of CeTel, Telfar and TelSource.

Advance at Christiania Bank

By Karen Fossli in Oslo

Christiania Bank, Norway's second largest, yesterday reported a jump in first-quarter pre-tax profits to NKr738m ($119.8m) from NKr383m.

The result, which exceeded analysts' expectations, was helped by a NKr285m write-back of provisions made earlier to cover losses on loans and guarantees.

The first quarter reflected continued growth in the volume of business, and the upturn in the domestic economy. Net interest income rose to NKr903m from NKr744m, but non-interest income fell NKr243m to NKr352m.

The decline in non-interest income was blamed mainly on a sharp fall in gains on securities, to NKr5m from NKr126m, and a reduction in foreign exchange gains to NKr61m from NKr89m.

Income from associated companies fell to NKr15m from NKr51m, but last year's figure was particularly high because of an asset disposal.

Operating costs climbed NKr36m to NKr802m, to represent 2.71 per cent of annualised total average assets, against 2.63 per cent last year.

Operating profit before provisions was reduced to NKr453m from NKr573m, but last year's figure was inflated by a NKr250m gain on the disposal of Norsk Skibs Hypothekbank.

Christiania Bank was particularly encouraged by continued development in its loan portfolio. However, it warned that the extraordinarily low level of first-quarter provisions could not be sustained.

Net doubtful commitments at the end of March were NKr2.4bn, down NKr800m on the previous three months. Gross non-performing loans were cut to NKr5.3bn from NKr6.7bn over the period, but at the net level, they rose slightly to NKr2.4bn.

The volume of loans rose to NKr95.91bn from NKr82.27bn as the quality of the portfolio improved.

Because of the positive development in the loan portfolio, Christiania reduced the general allowance for loan losses by NKr150m to NKr2.51bn or 2.9 per cent of the loans it is intended to cover.

Banco Santander declines 5.7%

By David White in Madrid

Banco Santander, the leading Spanish banking group in terms of assets, reported a 5.7 per cent drop in consolidated net profit in the first quarter, to Pta23.15bn ($189.4m) compared with Pta24.55bn in the same period last year.

It said its 1994 takeover of Banco Español de Crédito (Banesto) did not affect profits as much as expected. The bank confirmed it was ahead of schedule in its four-year plan to achieve a positive return on the purchase.

Mr Emilio Botín, chairman, said in a letter to shareholders that results for the rest of the year would compare more favourably with last year's, and announced an interim dividend for 1995 of Pta63 a share, 5 per cent up on its payout at the same stage last year.

The negative impact of the Banesto takeover on attributable profits for the quarter was put at Pta3.9bn. This means that without Banesto, attributable group profits would have risen 4.3 per cent to Pta21.54bn instead of falling, as they did, by 14.5 per cent to Pta17.64bn.

Total lending, excluding at Banesto, was 3.9 per cent up and clients' deposits, 11.8 per cent higher than a year ago.

Quarterly results from other Spanish banks have been mixed. Banco Bilbao Vizcaya reported a 17.4 per cent increase in attributable net profit to Pta16.61bn. Group earnings before tax were 27.4 per cent up at Pta37.02bn, with a 6.5 per cent increase in lending and a 9.2 per cent growth in deposits.

Banco Popular Español, meanwhile, showed a 2.1 per cent fall in attributable earnings, to Pta13.64bn, compared with the same quarter last year. The figure was, however, 1.1 per cent up on the previous quarter's Pta13.49bn.

Czech oil row delays cash talks

By Vincent Boland

A dispute between the Czech government and a consortium of international oil companies over valuing the country's oil refining industry is holding up talks on a $700m investment package for the sector.

The consortium, known as the IOC and which groups Conoco, Shell, Total and Agip, has offered $180m for 49 per cent of the Czech Republic's two main oil refineries, Kaucuk and Chemopetrol, with a June 30 deadline for agreement. It is committed to share in a $520m five-year investment package to modernise them.

The government, however, is insisting that the stake is worth much more. The industry ministry, which is leading the Czech side in negotiations on privatisation of the refineries, has not given a figure for the new valuation, but it could be $50m higher. IOC officials declined to comment.

The ministry said earlier this week that progress had been made in talks on the deal, including on the issue of environmental liabilities. It said both sides were committed to reaching a framework agreement that would allow the investment to proceed.

The new snag means both sides will probably need to make further compromises if agreement is to be reached. The IOC's exclusive negotiating rights on the acquisition of the refineries expire at the end of June. Issues including transfer pricing and the financing of the investment package are not yet fully resolved.

The marathon negotiations, which began early last year, have already been delayed several times, most seriously by a dispute over future control of the refineries.

Unipetrol, the holding company for the refineries' assets, is to retain 51 per cent for at least five years, until the investment plan has been implemented.

The sale of the refineries to the foreign consortium has met with fierce opposition from some Czech investors.

Hagemeyer to buy German group

By Ronald van de Krol in Amsterdam

Hagemeyer, the Dutch-based trading group, said yesterday that it intends to acquire Fröschl Augsburg, a German supplier of electrotechnical materials.

Fröschl operates 13 outlets in and around Augsburg, southern Germany, and generates annual sales equivalent to Fl 230m ($148m).

The shares will be acquired from the Fröschl family. No financial details were disclosed.

The transaction completes Hagemeyer's takeover of all the electrotechnical distribution companies operating under the Fröschl name.

Hagemeyer owns 76.7 per cent of Fröschl, which has a strong base in southern Germany and a growing presence in east Germany and eastern Europe.

Hagemeyer's involvement in Fröschl is a cornerstone in its policy of expanding in European electrotechnical distribution.

In January, it announced the acquisition of an initial 26 per cent stake in Schweitzer, an Austrian company in the sector, and said it planned to assume majority control later.

The Augsburg acquisition will take Hagemeyer's annual sales in electrotechnical materials to almost Fl 3bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on 27.04.95 Pool purchase price £/MWh	Final Prices for Trading on 30.03.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.57	15.79	15.79
0100	9.55	22.50	22.50
0130	10.00	8.79	8.79
0200	10.17	8.03	8.64
0230	14.48	12.11	12.72
0300	14.48	13.09	13.70
0330	12.81	13.00	13.61
0400	9.57	13.00	13.61
0430	9.57	13.00	13.61
0500	8.57	15.79	15.79
0530	9.58	9.05	9.05
0600	9.57	9.05	9.05
0630	10.17	9.06	9.06
0700	12.94	16.00	16.00
0730	18.71	15.03	16.02
0800	21.60	17.36	18.72
0830	22.59	18.75	20.20
0900	25.75	18.11	19.44
0930	25.67	17.14	18.23
1000	25.82	17.24	18.37
1030	25.76	17.58	18.79
1100	25.80	13.68	15.03
1130	25.98	18.48	19.97
1200	26.05	14.56	16.14
1230	28.08	18.46	19.93
1300	27.40	17.64	18.91
1330	22.13	12.23	13.18
1400	27.22	11.75	12.56
1430	35.16	11.64	12.41
1500	34.64	9.49	9.49
1530	35.15	8.50	9.50
1600	20.56	9.75	9.75
1630	20.78	12.33	13.33
1700	20.86	12.54	13.59
1730	20.74	12.23	13.18
1800	20.46	11.73	12.54
1830	20.33	11.36	12.04
1900	20.32	9.09	9.09
1930	19.08	10.68	10.68
2000	11.80	11.34	12.01
2030	11.80	11.37	12.05
2100	20.33	11.34	12.01
2130	33.48	10.12	10.75
2200	33.48	8.01	8.01
2230	19.82	9.00	9.00
2300	17.46	8.80	8.80
2330	13.10	8.76	8.76
2400	10.17	8.76	8.76

GAN shrugs off losses on the path to privatisation

State-controlled French insurer plans disposals, tighter controls and management shake-up ahead of sell-off

Mr Jean-Jacques Bonnaud, the chairman of GAN, is uncompromising about his company's future: "We've dealt with the past, and now we want to concentrate on the future."

These are bold statements for an insurance group that has just reported unexpectedly large losses of FFr5.3bn ($1.1bn), demanded a FFr2.8bn capital injection from the French government and still intends to be in shape for privatisation next year.

Yet he is optimistic that the steps necessary to ensure GAN's financial recovery are in place. "Our objective remains privatisation as soon as possible. Our target is to come back clearly to profits in 1996," he says.

Ironically, most of the group's 1994 losses, unveiled yesterday, had little to do with its core insurance businesses. Most related to the investment activity that has battered the results of so many French financial institutions over the past few months: the property market.

For GAN, the problems largely came as a result of its investment in CIC, a retail bank. It acquired a minority stake in the bank in 1985 and took control under pressure from the government – its majority shareholder – in 1990. CIC in turn owned a subsidiary called UIC, which specialised in property loans. This is where most of the difficulties have emerged.

Two years ago, GAN restructured its holding, taking UIC into direct ownership. As the property market grew worse last year, it hived off FFr18.9bn in the subsidiary's loans.

Late last year, Mr Bonnaud took personal charge of the reorganisation and instituted a special audit which showed the situation had deteriorated still further.

GAN has made provisions against property of FFr5.7bn. This includes a fresh FFr3.1bn against UIC's loans, with the remainder at group level to cover other property loans and a financial restructuring. "We are now immunised against future losses except for a big deterioration in the price of property or from legal actions," he says.

The loss at UIC forced GAN to recapitalise the subsidiary with a transfer of its own shares. This in turn created a hole in the parent company which is being filled by the French government, with about FFr2bn-worth of state-owned shares in Elf, the oil company, and the remainder from the state's residual holding in CIC.

Mr Bonnaud maintains this is not a financial rescue akin to the state's recent support to Crédit Lyonnais.

"We have no state guarantee to cover our losses. We are not in the position of a company that demands money," he says.

He argues that GAN "could live" without a recapitalisation but needs one if it is to be privatised soon. He adds that he believes being in state hands is a disadvantage, because the company could otherwise seek a rights issue to help secure its future.

"We have no power to borrow or issue shares," he says. "Privatisation is one of the ways for us to gain equality of competition."

In the short-term, he says GAN is likely to make another loss for 1995 – probably of several hundred million francs – before returning to profit in 1996.

"It depends on the capital gain," he says. "It is likely that, if the financial markets remain where they are, 1995 will unfortunately be in deficit."

While saying it is still "a little premature", he expects privatisation to take place by late 1996 or early 1997. It is likely to take a typically French form, with perhaps 30 per cent of the shareholding being taken by several large, strategic investors.

But can Mr Bonnaud give reassurance that GAN will recover in the meantime?

First, he points to a programme of asset disposals over the coming months, although he will not say what is for sale. He intends to cut costs by 10 per cent over the three years and insists there will be no need for redundancies.

More qualitatively, he talks about tightened risk assessment procedures, both for the mainstream insurance business and for the assessment of new loans in GAN's banking subsidiaries.

He adds that the policy of decentralised decision-making which he started last year should begin to bear fruit.

"We have refined the management structures. We are nearer to the client and the market now. Before, too much was done in Paris. If you consolidate everything you don't see anything."

That leaves one of the most fundamental issues facing all French insurers: negotiations with the group's network of insurance sales agents, who work on commission and whose operation restricts the development of direct marketing by mail or telephone.

Mr Bonnaud concedes there will "probably" have to be a cut in their number, but is keener to stress the need for "discussion" and a need to redistribute the network more efficiently around the country.

Andrew Jack

Jean-Jacques Bonnaud: target is a return to profits in 1996

Property provisions behind FFr5.3bn deficit

Substantial provisions helped drive Groupe des Assurances Nationales, the French state-controlled insurance group, to a deficit of FFr5.3bn for 1994. In 1993 the group made a profit of FFr414m, writes Andrew Jack in Paris.

GAN announced new provisions against property losses and financial restructuring of FFr5.7bn, on top of provisions last year of FFr3.4bn, and confirmed details of a recapitalisation agreed with the French state in March.

Under the terms of the plan, the state gives the group shares it owns in Elf, the petroleum company, and in CIC, a bank controlled by GAN, totalling FFr2.8bn. In exchange it receives newly-issued GAN shares which increase its stake to 80.47 per cent, from 75.9 per cent.

Mr Jean-Jacques Bonnaud, chairman, warned that GAN was likely to report further losses for the current year but said the group would return to profitability in 1996. He said if the state agreed, the group could be privatised by late 1996 or early 1997.

The group's losses were higher than expected, but had little affect on the share price because they had been partly anticipated.

GAN reported a 15 per cent decline in turnover to FFr131.3bn, largely due to a drop in banking income from its CIC affiliate as a result of falling interest rates and market activities. The group posted a strong decline in capital gains to FFr2.4bn last year, from FFr3.6bn.

Among the divisions, non-life reported a loss of FFr1.27bn compared with a loss in 1993 of FFr993m. Life assurance profits in France fell to FFr627m from FFr3.64bn and profits from foreign insurance business rose to FFr140m from FFr65m. The board recommended there should be no dividend.

Mr Bonnaud pledged to reduce costs at the company by 10 per cent over the next three years.

Autoliv profits soar to SKr247m in first term

By Christopher Brown-Humes in Stockholm

Shares in Autoliv, Europe's leading supplier of car safety equipment, rose 6 per cent yesterday to SKr325 after the group announced unexpectedly strong first-quarter profits of SKr247m ($33.6m).

The result compares with a SKr91m profit in the same 1994 period.

A 36 per cent rise in sales to SKr2.7bn was driven by a sharp increase in demand for airbags. The group benefited from the launch of a safety belt system, enabling it to lift market share. Sales of airbags rose 51 per cent to SKr1.3bn.

Mr Gunnar Bark, group president, said the company should be able to grow in line with an expected 15 per cent increase in world car safety equipment demand. The group has 45 per cent of the European market and around 20 per cent of the world market.

Autoliv was last year sold to international investors by Electrolux, the world's leading manufacturer of household appliance. Its shares have soared from a SKr180 issue price.

Eramet more than doubles net income

By Kenneth Gooding, Mining Correspondent, in Paris

Eramet, the world's biggest producer of ferro-nickel and high-speed steels, saw net income in 1994 more than double, to FFr244m ($51m) from FFr120m.

Mr Yves Rambaud, chairman, said the improvement sprang mainly from stringent cost controls and increased business activity, particularly for high-speed steels, rather than from price increases.

The group's performance in the first quarter of 1995 remained very strong, he said, so that net income before exceptional items and taxes for the first half would be "significantly higher" than the FFr134m for the same months last year.

Mr Rambaud expected demand to hold up well in the second half but said the financial outcome would depend on changes in metal prices and exchange rates, particularly the US dollar.

He pointed out that each 10 centimes change in the value of the franc against the dollar resulted in a FFr20m change to Eramet's net annual income and cash flow. Each 10 US cent a pound change in the nickel price caused a FFr40m fluctuation in income and cash flow.

Eramet proposes to lift its dividend payment, including tax credit, to FFr8.1 a share from FFr6.9.

The group's 1994 turnover increased 25 per cent to FFr3.282bn. Net income before changes in accounting practices rose 64 per cent to FFr97m. The accounting changes, which increased net income by FFr47m, were made on the advice of auditors who insisted the board was too cautious at the time the group was floated on the Paris stock exchange last autumn. The group expects to move from the second to the first market this summer.

Operating cash flow improved 28 per cent last year to FFr455m to give a 9 per cent rise in the net cash balance at the year-end, to FFr902m.

Trizec optimistic as market improves

By Bernard Simon in Toronto

Trizec, the North American property developer, has expressed cautious optimism as the market improves and the flow of new capital to the property industry picks up.

However, the Toronto-based company, which emerged from a restructuring last year, has been hurt in recent months by higher interest rates. It has sold another six properties and refinanced several others to lighten its US$2.2bn debt burden.

Net earnings were $10.1m, or 9.3 cents a share, in the three months to March 31. Rental income from 78 office buildings, shopping malls and other properties in the US and Canada was $71.3m on revenues of $126.9m.

Comparisons with earlier periods are meaningless because of last year's restructuring, which included a revaluation of Trizec's property portfolio.

The company has switched its accounts from Canadian to US dollars.

It said shopping centre occupancy rates were strong and that a "slow recovery" was taking place in the office market, with a declining level of tenant inducements.

Higher interest rates cut cash flow from operations by about $2m in the first quarter. But a series of interest rate hedges reduced floating rate debt to 25 per cent of the total.

Portugal bank sale agreed

By Peter Wise in Lisbon

Mr António Champalimaud, a 77-year-old Portuguese industrialist, yesterday bought 50 per cent of Banco Totta e Açores, Portugal's third largest bank, for Es153bn ($1.06bn), crowning the re-acquisition of a business empire that was nationalised in 1975.

Mr Champalimaud, who has re-established himself as Portugal's richest man after most of his assets were seized by a left-wing government, bought the holding from Banco Español de Crédito (Banesto), the Spanish bank, and two Portuguese associates.

The two sides reached agreement yesterday on the detailed terms of a sales contract signed in December.

S Korean group sees $2.3bn profit as chip sales soar

Samsung Electronics, South Korea's largest electronics maker, yesterday predicted a net profit of $2.3bn for 1995, an 86 per cent year-on-year increase due to booming chip sales for the global personal computer market, Reuter reports from Seoul.

The company, one of the world's leading producers of memory chips, recorded net profits of Won945bn ($1.25bn) in 1994 on sales of Won11,300bn. The company's other main products include consumer electronics, telecommunications equipment and personal computers.

This year the company expects to earn Won1,760bn in net profits on sales of Won14,000bn, it said in a briefing to investors in Seoul.

The shares reacted to the forecast with a Won7,000 rise to Won128,000 on the Seoul bourse, before retreating to Won123,000 by the close.

Semiconductor sales accounted for about one-third of revenues and more than 70 per cent of profits last year, according to industry analysts. Seventy per cent of the company's semiconductor sales were D-Ram (dynamic random access memory) chips, the primary data storage devices used in all types of computers.

Driven by strong demand from the personal computer industry, which consumes over half of the world's supply of D-Rams, the D-Ram market grew by 69 per cent to approximately $23bn last year, according to Integrated Circuit Engineering, a US market research company. World sales this year are expected to reach $25bn.

Market analysts say Samsung Electronics has been helped to compete against its Japanese rivals by the rise in the yen against the dollar and also by an end to a price war for electronics products on the domestic market.

The company said this week it had developed a new type of 16 megabit D-rams by adopting silicon on insulation technology, which gives greater integration and lower power consumption.

Severence costs cut Phillips to $111m

By Maggie Urry in New York

Phillips Petroleum followed the trend of other US oil companies in the first quarter, as strong profit growth from upstream and chemicals activities was partly offset by weakness in the refining and marketing business.

Operating net income rose to $121m from $109m in the quarter. However, special items reversed the trend with group net income lower at $111m compared with $127m. In the 1995 first quarter there was a $10m charge for severance costs and other contingencies, while in the comparable period there was a $18m gain from the sale of a polypropylene licence. Earnings per share on this basis were 43 cents against 49 cents.

Higher sales volumes of oil and gas, and increased crude oil prices raised profits from exploration and production. Crude oil production was up 9 per cent and natural gas production increased by 6 per cent.

Worldwide crude oil prices were 27 per cent higher than at the same time last year, although US natural gas prices were 31 per cent down.

Lion Nathan boosted by improving beer market

By Terry Hall in Wellington

Lion Nathan, the biggest brewing group in Australia and New Zealand, yesterday reported a 14.6 per cent increase in earnings to NZ$136m (US$91.9m) for the six months to February 28, which directors said was due to an improving Australian beer market and operational efficiencies.

Sales revenue fell 0.4 per cent to NZ$1.37bn and it is proposed to lift the interim dividend to 8 cents from 7.5 cents. Lion Nathan's brands include Steinlager, Castlemaine XXXX, Toohey's and Swan.

Mr Douglas Myers, chief executive, said that after a two-year study, the group was expanding into the Yangtse River Delta area of China.

It had acquired a 60 per cent interest in the joint venture which owned the Taihushui Brewery in the city of Wuxi for NZ$21.6m, and was continuing discussions to build a brewery at nearby Suzhou.

Lion Nathan would have management control of the Taihushui Brewery, which produces 60m litres of beer a year. It is buying the interest from a Singaporean investor.

Mr Myers said beer consumption was rising rapidly in China, with per capita drinking rising by 15 to 20 per cent each year since 1990. "However, consumption is low by western standards. The average drinker in the Yangtse Delta area drinks only 20 litres of beer a head, about a fifth as much as New Zealanders or Australians."

Mr Myers said the profit had been affected by the recent sharp appreciation of the New Zealand dollar against the Australian currency. "We generate 75 per cent of earnings from Australia; had the exchange rate been unchanged we would have reported a 20.6 per cent higher profit."

Serfin shows 47% decline in first quarter

By Leslie Crawford in Mexico City

Grupo Financiero Serfin, the financial group which owns Banca Serfin, Mexico's third-largest bank, reported first-quarter earnings of 171m pesos ($28m), a 47 per cent fall on the same period last year.

The group attributed the decline to the low profitability of its troubled bank, losses at its brokerage house (the stock market crashed following December's devaluation of the peso) and lower earnings from leasing and factoring.

Banca Serfin reported net earnings of 208m pesos for the first quarter, 15.4 per cent lower than last year. The results would have been worse but for the bank's request for 3.3bn pesos of emergency funds from Mexico's central bank to shore up capital and reserves.

Under a rescue plan devised by the Bank of Mexico, domestic banks which risk technical insolvency can access central bank funds for a period of up to five years. Banks which enter the scheme must maintain their capitalisation ratios above 9 per cent, accept restrictions on new lending, and are not allowed to pay dividends.

Banca Serfin, whose non-performing loans have increased by 83 per cent in the past year to 11.3bn pesos, or 12 per cent of its total loan portfolio, is the largest of several banks which have entered the Bank of Mexico's rescue scheme.

Banca Serfin said its capitalisation ratio stood at 9.9 per cent, while loan-loss provisions equalled 60 per cent of its past-due loans - the minimum requirement set by banking regulators.

"The difficult economic environment has led to an increase in loan defaults among our customers," Banca Serfin said. "We are currently restructuring the credits of small and medium-sized businesses to allow Banca Serfin to reduce its non-performing assets."

Banking analysts, however, said they expected Banca Serfin's results would deteriorate over the next six months as problem loans grew with Mexico's deepening recession.

"Serfin was able to set aside 2.4bn pesos in loan-loss provisions in the first quarter mainly because it entered the central bank rescue scheme," says Mr Carlos Díaz-Liadó, of the Spanish consultancy Grupo Moneda in Mexico City. "In the coming months it will not have sufficient earnings to meet an expected increase in loan defaults."

"The worst is yet to come for the banking sector as a whole," says Mr Petru Vaduva, a banking analyst with Bear Stearns. "Although the restructuring of debts may temporarily hide problems, the issue of mounting past-due loans is far from being resolved."

NEWS DIGEST

Anheuser posts 6% first-quarter rise to $216.1m

Anheuser-Busch, the biggest US brewer, increased net income by 6 per cent to $216.1m in the first quarter, continuing the trend of sluggish profits growth that has characterised its recent performance, writes Richard Tomkins in New York. But earnings per share, boosted by heavy stock repurchases, rose by 9 per cent to 83 cents.

Beer sales rose by 115,000 barrels to 20.4m in the quarter, an increase of 0.6 per cent. Anheuser-Busch said this and stronger sales by its packaging subsidiaries were the main factors behind a 5 per cent increase in net revenues to $2.8bn.

The growth in beer volumes was adversely affected by the fact that wholesalers built up stocks in last year's first quarter in anticipation of national labour contract negotiations.

Continued double-digit growth from Bud Lite and a stabilisation in sales of Budweiser were offset by a decline in sales of Ice Draft, Anheuser-Busch said. But the company also said it had succeeded in reversing a tendency among US consumers to trade down to cheaper beers, and sales trends for the company's premium brands had improved.

Campbell Taggart, the company's baking and food products subsidiary, recovered from its poor performance last year and Anheuser-Busch said it expected the subsidiary's operating profits to improve significantly this year.

Lego warns 1995 will be another tough year

Lego, the maker of toy construction kits, suffered a fall in pre-tax profits to DKr697m ($129.6m) in 1994, down from DKr795m in 1993, writes Hilary Barnes in Copenhagen.

The company warned that the weak dollar and strong European currencies would make 1995 another tough year, when profits might slip again.

Last year saw sales in North America fall by 8 per cent, the first decline after 17 years of growth, said the group. The US is Lego's second largest market after Germany.

Lego is family-owned and not listed on any stock exchange. Turnover in the group companies for which accounts are published increased by 8 per cent to Dkr5.70bn from Dkr5.29bn, but total group sales increased by only 3 per cent, compared with 13 per cent in 1993.

Novo Nordisk says it may not meet forecasts

Adverse currency movements may prevent Novo Nordisk, the health care and industrial enzymes group, from achieving its forecast growth in sales and profits for 1995, the annual meeting of shareholders was told, writes Hilary Barnes.

A forecast increase of 10 per cent in sales this year, made when the annual accounts were published, assumed that the exchange rates for invoicing currencies would stabilise at the level of the first two months of the year.

But, said Mr Vagn Andersen, supervisory board chairman, the average value of the currencies in which Novo Nordisk invoices has fallen by 2 per cent since then.

Marion Merrell Dow shows improvement

Marion Merrell Dow, the US drug company which Hoechst of Germany is negotiating to buy, raised underlying net earnings by 44 per cent to $124m, or 44 cents a share, in the first quarter, writes Tony Jackson. This was before a previously announced charge of $49m relating to an acquisition.

The companies said talks over the acquisition of Marion Merrell Dow at $25.75 a share were continuing, and cautioned that there was no assurance a deal would be reached.

AMP result in line with expectations

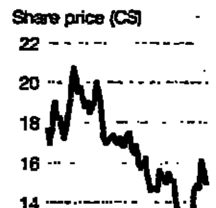
AMP, the world's biggest manufacturer of electrical connectors, matched expectations with a 32 per cent jump in earnings in the first quarter to $105m, or 50 cents a share, writes Tony Jackson. Sales rose 33 per cent in dollar terms to $1.2bn. In local currencies, sales in Europe rose 36 per cent, in Asia-Pacific 27 per cent and in the US 16 per cent.

AMP said it expected full-year sales of about $5bn, compared with last year's $4bn, and earnings of more than $2 per share compared with last year's $1.76.

Southam shareholders may raise stakes

Southam

Share price (C$)



Source: Datastream

The two biggest shareholders of Southam, Canada's biggest newspaper chain, may now raise their interests following modification of the company's "poison pill" plan, writes Robert Gibbens in Montreal. Mr Paul Desmarais, who controls an international financial services, communications and industrial empire through Power Corp of Canada, said after Southam's annual meeting that he may increase his holding beyond the present 21.4 per cent.

Mr Conrad Black, with 19.4 per cent through his Hollinger publishing group, said: "Southam is a buy."

Southam's shareholders agreed to end the company's shareholder rights plan set up in 1990 to make a hostile takeover bid difficult.

Jyske Bank ahead in first term

Jyske Bank, Denmark's fourth-ranking bank, lifted first quarter pre-tax profits to DKr146m, an increase of DKr10m on the first quarter of last year, writes Hilary Barnes.

Financial income advanced to DKr654m from DKr579m last year.

The bank's loss provisions were reduced to DKr51m from DKr81m, but it took an unrealised loss on the value of capital in associated companies of DKr95m, compared with a small loss last year of DKr16m.

The bank said that demand for credit remained extremely slow, but it nevertheless expects profits for the year, before unrealised losses or gains on securities, tax and extraordinary items, will be between DKr400-DKr600m.

This is in line with earlier forecasts, but down from DKr730m earned in 1994.

Pitney Bowes sale

Pitney Bowes, which makes equipment for post rooms, has agreed the $450m sale of its Dictaphone business which it put up for sale last September, writes Maggie Urry. The buyer is Stonington Partners, an investment firm which runs a leveraged buy-out fund. The deal is expected to be completed in July and will give Pitney Bowes an after-tax gain.

JCI reports 4% fall in gold production

By Mark Suzman in Johannesburg

JCI Ltd recorded a 4 per cent drop in total production at its gold mines for the quarter ending in March to 11,196kg from 11,662kg in the December quarter.

JCI Ltd, a new company, has taken control of the non-platinum mining interest of Johannesburg Consolidated Investments, the restructured South African mining house.

The decline at JCI completes a poor set of results from all of South Africa's leading gold producers during the past quarter.

As with other groups, the fall was primarily due to labour disruptions, exacerbated by extra public holidays, as well as a lower grade of gold achieved.

At Western Areas, which now includes results from South Deep following the merger of the two mining operations earlier in the quarter, after-tax profit dropped to R32m ($8.9m) from R46.2m previously.

A steep rise in capital expenditure to R50m from R12m in the December quarter, reflecting the heavy capital costs of developing South Deep, meant the mine recorded an R18m attributable loss on the quarter, against an attributable profit of R34.2m in December.

Struggling producer H.J. Joel reduced its net loss to R5.36m from R7.4m on the back of slightly higher ore milled and a small rise in yield.

Meanwhile, Randfontein suffered from labour unrest and a drop in grade to 3.43 grammes/tonne, down from 3.55 grammes/tonne previously, which raised working costs per kilogram and led to a drop in after-tax profit to R32m from R37.6m.

Unisys moves on to parallel processing

By Clive Cookson in Paris

Unisys, the US computer company, yesterday made what it said was the most important product announcement since its formation nine years ago through the merger of Burroughs and Sperry Univac.

It announced a new generation of computers based on parallel processing – a technology that originated in high performance scientific computing and is spreading to the commercial and financial sector.

Mr Jim Unruh, Unisys chairman, forecast that the new systems, called Opus, would bring in revenues of $100m this year. The company expects parallel processing soon to generate annual sales of more than $1bn a year. Unisys' total revenues last year were $7.4bn.

It developed Opus jointly with Intel, the microprocessor manufacturer. Each computer will have an array of up to 128 of Intel's standard Pentium chips, working in parallel, so that the task can be completed much more quickly. Unisys needs the new system to continue diversifying away from making standard mainframe computers in competition with IBM – competition that almost broke the company at the beginning of the 1990s.

The Opus computers are "decision support systems which mine large databases of accumulated information to find new insights into financial performance or customer behaviour and needs."

Iusacell slumps to 264m pesos loss in first quarter

By Leslie Crawford

Grupo Iusacell, a leading provider of cellular telephone services in Mexico, reported first-quarter losses of 264m pesos ($44m), compared with the 88m peso loss reported in the first quarter of 1994.

The company said foreign exchange losses of 275m pesos following December's devaluation of the peso were responsible for the deterioration in results.

In spite of the recession, Iusacell said it had signed up 7,000 new subscribers in the first quarter of 1995.

Over the past year, the number of subscribers has increased 39 per cent to 201,842, in spite of stiff competition from its main rival, Teléfonos de México (Telmex).

Iusacell said it had taken "corrective measures" to mitigate the impact of Mexico's economic recession. The development of new projects, such as radio-telephony, have been postponed until the economic situation improves.

The Ministry of Telecommunications agreed a 15 per cent rise in tariffs in April, which is expected to improve the company's cash flow.

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NEWS DIGEST

Chromecorp sees income soaring to R118.6m in year

Chromecorp, the world's third largest producer of ferrochrome, has announced in a listing prospectus that it expects attributable income to more than treble to R118.6m ($33.9m) in the year to December from R33.4m last year, writes Mark Suzman in Johannesburg.

The South African-based company, which is controlled by Switzerland's Südelektra, plans to raise R22.5m through a public offer of 3m shares when it lists on the Johannesburg Stock Exchange on May 23.

The projected earnings, which the company expects to achieve on the back of turnover of R490m, reflects strong underlying growth in the world ferrochrome market this year. Ferrochrome is one of the main ingredients for the production of stainless steel, for which demand soared 9 per cent last year and is expected to grow steadily in the next few years.

About 8.5m shares, worth R117.5m, have been privately placed with local and international institutions and local analysts expect the public offer to be heavily oversubscribed. Directors plan to use R23.7m of the money raised to expand production facilities and R41.3m to repay long-term borrowings.

Stronger cement sales lift S African group

Pretoria Portland Cement, the South African construction products company, has reported a 43 per cent increase in after-tax profit for the six months to March, to R86.9m ($24.7m) from R62.1m a year earlier, writes Mark Suzman. Earnings per share rose 41 per cent to 214.1 cents from 151.7 cents.

The improvement came on the back of stronger demand for cement. Pre-tax income increased to R91.3m from R66.3m, reflecting the overall recovery in the construction sector. A 14 per cent increase in domestic cement sales and continued improvements in exports, led to a 23 per cent rise in group turnover to R751.1m from R612.1m previously, while operating profit rose 25 per cent to R138.3m from R110.4m.

Net investment income also rose because of an increased contribution from joint venture products and higher liquid funds, rising 22 per cent to R25.9m from R21.2m. The group's lime division performed less well, with profits increasing 2 per cent to R34.9m from R34.3m.

Cigarette producer issues profits warning

W. D. & H. O. Wills, the listed Australian tobacco company in which BAT of the UK holds a majority interest, warned yesterday that continued price-discounting for cigarettes would mean that it would report "poor" results for the first half of the current year, writes Nikki Tait in Sydney.

"We are well below our budgeted performance as we continue to match our competition in brand support expenditure," said Mr William McComas, chairman.

"Our reading of the market is that, if that state of affairs continues, we will be reporting a poor result for the first half of this year."

Wills saw total market share slip slightly to 31 per cent in 1994, while operating profits were slightly lower, after several years of improvement, at A$78m. Wills' shares eased 14 cents to A$2.96 yesterday.

Foster's says buy-back among its options

Mr Ted Kunkel, chief executive of Foster's, the Australian brewing group which also owns Courage in the UK, said yesterday the company had considered a share buy-back, but only as a possible option assessed in the normal course of business, writes Nikki Tait. "It's considered along with all other options," he said.

Share buy-backs have become topical in Australia in the wake of Pacific Dunlop's recent decision to buy back up to 10 per cent of its equity – a programme which it has already begun.

Mr Kunkel made no comment on speculation that Courage is to be sold shortly.

Poseidon Gold suffers setback at nine months

Poseidon Gold, part of the Normandy Poseidon group and said to be Australia's biggest gold mining company, yesterday announced that profits after tax but before abnormals slipped to A$41.7m (US$29.8m) for the first nine months of the financial year from A$52.2m a year ago, writes Nikki Tait.

After the large, and previously announced, asset write-down, the net loss after abnormals was A$267.1m.

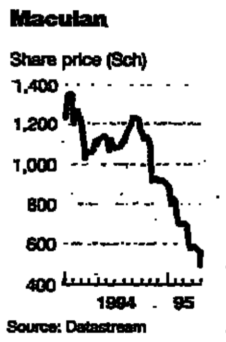
The decline in the nine months to end-March was blamed on the weaker first quarter. Poseidon Gold said profit in the latest three months to end-March were slightly higher than in the comparable period of 1994, at A$16.4m (A$15.8m).

Equity gold production stood at 238,528oz for the third quarter, taking equity production for the nine months to 705,386oz.

PosGold added that similar output in the current quarter should lift 1994/95 production to 940,000oz from 817,853oz last time. It also forecast an improved fourth-quarter profit, reflecting the sourcing of Murchison area production, and some higher grade ore.

Maculan says it will halve dividend

Maculan



Source: Datastream

Maculan, a leading Austrian construction group, has warned of lower-than-expected profits in 1994 and a consequent halving of its dividends, writes Ian Rodger in Zurich. The group, which has already reported difficulties with a housing project in Russia and a tunnel contract in Austria, said "unexpected negative trends" had also been discovered in several areas of its German activities.

Maculan has been one of the most aggressive companies acquiring businesses in eastern Germany. It said local management assessments of construction sites were over-optimistic. Severe price competition from companies based in weak currency countries had also developed, and organisational and personnel changes had been made, it said. The German subsidiaries remained "slightly in the black".

The group warned that these difficulties would lead to "exceptional measures which will affect the current financial year".

It said revenues would grow about 10 per cent this year, solely as a result of acquisitions already reported and approved. Group revenues rose 11 per cent last year to Sch15.57bn ($1.6bn) and order books increased 8 per cent to Sch9.51bn.

The shares shed Sch54 to close at Sch495 yesterday.

Taiwanese airline cuts losses sharply in 1994

Eva Airways, Taiwan's second-largest international airline, yesterday reported sharply reduced losses for 1994, AP-DJ reports from Taipei. The after-tax loss of T$976.0m (US$38.4m) compared with a net loss of T$2.19bn in 1993.

Revenues of T$19.5bn last year were 89 per cent higher than the previous year's T$10.3bn.

The airline has posted losses in four consecutive years since it was established in 1991. Analysts had expected it to break even in 1994.

North, Rio Algom launch rival bid for Musto

By Nikki Tait in Sydney and Bernard Simon in Toronto

North, the Melbourne-based mining group, has teamed with Canada's Rio Algom to make a C$510m (US$364m) bid for Vancouver-based International Musto Explorations, whose main asset is a 50 per cent interest in the rich Bajo de la Alumbrera copper/gold project in Argentina.

Musto is already the target of a C$12.50 a share offer from Placer Dome, the big Canadian mining group. However, Rio and North have offered C$14.99 a share.

Mr Adolf Lundin, Musto's chairman and largest shareholder, earlier agreed to tender his 36 per cent stake to Placer, unless its bid was exceeded by at least 50 cents a share. Musto said yesterday it was no longer recommending the Placer offer.

Musto has agreed to pay a break-up fee of C$12m to North and Rio Algom if a majority of Musto's shares are acquired by a competing bidder.

However, some Australian mining analysts said they viewed the new offer as a "knockout punch", pitched to scupper rivals.

The North/Rio bid comes in the wake of an announcement by MIM, the Queensland-based mining company, that the Alumbrera deposit had been significantly upgraded and a new mine plan prepared. MIM owns the other 50 per cent interest in the project and will be its operator.

According to MIM, proven and probable reserves have been lifted to 694m tonnes, in contrast to last year's feasibility study which put the figure at 563m tonnes.

The new mine plan provides for an open-cut mine, producing a concentrate which contains an average 180,000 tonnes of copper and 640,000oz of gold a year over the 19-year life of the mine.

Previously, the figures were put at 170,000 tonnes of contained copper and 550,000oz of gold.

Mine development costs have been put at about US$780m.

If the bid is successful, it will comprise the big acquisition which North has long been expected to make.

Since it sold its paper interests in late-1993, the Australian company has been cash-rich, with the surplus standing at A$262m at the year ended last June.

"Copper and gold are two of North's key target minerals and South America is a region where we are seeking to develop operations," said Mr Campbell Anderson, managing director, yesterday. He added that North, which has exploration offices in Chile and Peru, saw Alumbrera as a good strategic fit.

Rio Algom, with extensive mining and metals distribution interests, was a subsidiary of RTZ, the UK-based mining group, until two years ago. It has a strong balance sheet, with cash reserves of C$261m and relatively low debt.

Alumbrera would help lift its annual copper output from 166m lbs last year to 350m lbs, and would add 160,000oz of gold.

Convenience stores hold winning formula

Chains are enjoying strong growth in Japanese retailing sector, writes Emiko Terazono

Japan's convenience stores emerged as the winners when the country's retailers released their annual results last week.

The results generally reflected an industry suffering from weak consumer confidence and deflationary pressures. In contrast, the convenience store chains posted steady rises in sales and earnings.

Earnings at the top convenience stores, including Seven-Eleven, FamilyMart, and Mini Stop have grown strongly over the past few years.

Moreover, some chains are beating their parent companies in the general merchandising business. For example, annual sales at Seven-Eleven Japan are only 14 per cent of that of its parent, Ito-Yokado, a leading superstore chain, but its recurring profits – before extraordinaries and tax – surpassed those of its parent in 1993.

Bates Japan, the Japanese arm of the worldwide advertising group, says structural changes in the Japanese economy and society are putting pressure on the time consumers spend shopping.

The convenience stores have responded and so carved out a niche for themselves. Their formula has resulted in them widening their range of services, offering film development, sales of concert and sporting events tickets, or accepting utility bill payments. They have almost become community centres, says Ms Victoria Melendez, retail analyst at Morgan Stanley.

Small, cheap product ranges are a prerogative. Product and sales monitoring technology allows convenience store chains to move their merchandise around freely, adjusting quickly to changes in consumer taste.

This contrasts with department stores, which carry luxury products and high-ticket items, and with superstores which carry a vast array of merchandise.

Unconsolidated recurring profits (Ybn)

	Seven-Eleven	Ito-Yokado
1990	67.0	88.8
1991	77.7	97.2
1992	85.2	97.5
1993	88.1	82.0
1994	93.4	75.1
1995*	97.0	80.0

*Company estimates. Source: company reports

The Japanese chains have so far overcome the problems faced by their US counterparts. Convenience stores there found themselves limiting their product ranges and resorting to discounting which hit profit margins.

The growth trend for convenience stores in the current business year seems to be unchanged. Store openings are expected to lift sales, while the companies are expected to place more emphasis on prepared foods, which has become a growth area over the past year.

However, in the long run, one of the stumbling blocks will be market saturation. Sales and earnings growth have been driven partly by the stores' aggressive expansion.

However, analysts say the market is maturing. MCR, a research company specialising in the convenience store market, says 2,500 consumers to one convenience store represent the market's theoretical saturation point in a country where gross domestic product is more than $20,000 per person. MCR estimates that there were 45,700 convenience store outlets in Japan at the end of 1994, indicating a total 2,700 customers a store.

However, Seven-Eleven Japan, the market leader, remains optimistic. Mr Hidetoshi Akiyama, a company official, says 93 per cent of the 1.59m retail outlets in Japan can be summed up as small "mom and pop" stores, which are potential franchisees for the chain.

He also notes that about 20 per cent of customers at a Seven-Eleven store were there more than once a day. "We wouldn't need to increase the number of customers per store if the remaining 80 per cent came more frequently," he says.

Ms Melendez says the key to further growth would be more "convenience", where the range of products should include liquor and over-the-counter drugs, an area which is regulated by the government.

Mr Yukio Abe of MCR says the current format of convenience stores, which usually operate independently, will need to change. "Outlets will probably have to team up with services such as book stores, video rental shops, public baths and karaoke boxes."

Tercentenary celebrated with strong growth in lending and 15% dividend increase

Birthday Bank of Scotland rises 67%

By John Gapper, Banking Editor

Bank of Scotland yesterday marked its 300th anniversary by announcing a 67 per cent rise in pre-tax profits from £268.7m to £449.7m in the year to February 28.

The result was helped by unusually strong 10 per cent growth in lending.

The bank eschewed a special dividend to celebrate the anniversary of its formation in 1695, but increased its dividend by 15.25 per cent from 5.05p to 5.82p.

It also gave its 15,000 employees a 13.8 per cent profit-related bonus.

Operating profits rose 14 per cent from £568.8m to £650m, because of asset growth, increased fees and commissions, a fall in suspended interest on non-performing loans, and the bank's success in attracting cheap wholesale deposits.

It warned that margins on residential mortgage lending, which comprises 24 per cent of sterling lending, came under pressure in the second half. Only a third of the last 1 per cent rise in base rates was passed on to customers.

Sir Bruce Pattullo, governor and chief executive, said the bank had increased its market share of lending in England by concentrating on niche activities such as lending to housing associations and nursing homes.

It was now "more ambivalent" about buying a building society because moves by other banks to do so had "set alarm bells ringing".

Sir Bruce added: "This looks like another stampede, and we have a bias in favour of organic growth."

Specific provisions against bad and doubtful debts fell 34 per cent from £283.8m to £187.7m. However, it boosted its general provision against unidentified future losses by £33.8m, including a £20m "prudential" top-up.

Sir Bruce said that the cyclical nature of banking meant that "it behoves us to put some money away in the benign part of the cycle". The bank was working on more sophisticated methods of calculating general provisions, he said.

Mr Peter Burt, treasurer, believed the bank had not relaxed credit standards to expand lending, although this would only be fully tested in a recession. "Our managers get their kicks from continuing to grow," he said.

The tier 1 ratio of core capital to risk-weighted assets rose from 5.8 per cent to 6.1 per cent.

Sir Bruce said he was "very comfortable" about the retention of capital, which was needed to finance continued asset growth.

The ratio of costs to income rose from 48.6 per cent to 49.8 per cent. Costs rose from £552.4m to £644.2m, including a profit share of £26.7m, triggered by a rise in pre-tax return on equity from 22.3 per cent to 35 per cent.

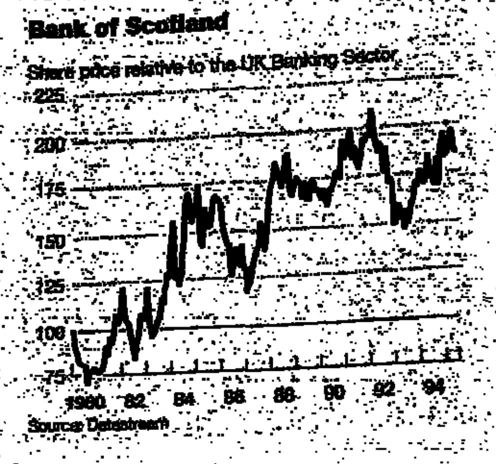
Earnings per share rose from 12.2p to 22.3p, and net asset value per share rose from 94.8p to 111.8p.

LEX COMMENTS

Bank of Scotland

Bank of Scotland has made dullness a virtue. It is Britain's most boring bank. The steadiness of the business helps explain 300 years of consistent profitability and, more recently, why the bank has outperformed the sector by nearly 100 per cent since 1980.

Shunning the latest fashion, whether third world lending or bancassurance, Bank of Scotland has continued to grow and make money from old-fashioned lending. Its low costs and careful lending policies have born fruit. While other UK clearing banks have reported falling operating profits before provisions, Bank of Scotland raised its by 14 per cent. It was totally in keeping with the bank's conservatism that despite the good results, management decided against replicating Deutsche Bank's 125th anniversary special dividend this year.



Whether its strategy is adequate for the late 1990s remains unclear. During the past recession, the bank suffered far less than its counterparts, partly because of prudence and partly because the recession was less severe in Scotland than elsewhere. The bank claims it is still prudent, making a virtue of its small English network by successfully targetting niche markets such as housing corporations. But the bank's lack of local knowledge in England could eventually be reflected in the quality of its loan book there. There is, moreover, no guarantee Scotland will suffer less than other regions during the next downturn. If Bank of Scotland remains safe and dependable, its attractions may only become apparent again when the other banks start suffering.

Building societies

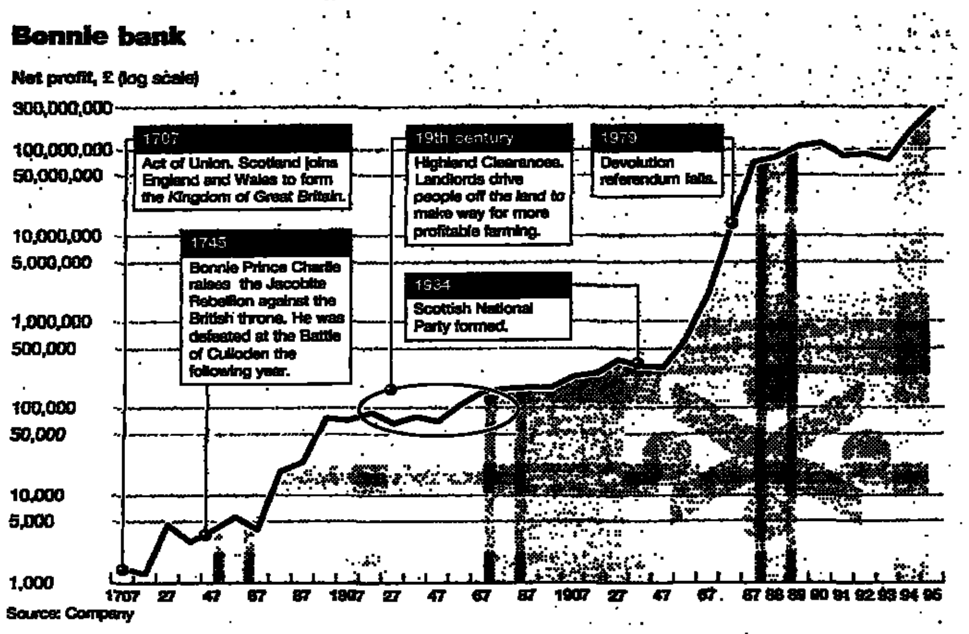
National & Provincial Building Society, currently being stalked by Abbey National, has little future as an independent entity. It is a weak operator in an oversupplied industry. It would be best if it were taken over, with its product range and branch network rationalised. Members would benefit – receiving perhaps £500 on average.

Sadly, the law does not require societies to put offers to their members, in the way that ordinary companies must put bids to shareholders. Moreover, government plans to improve accountability amount to little. As a result boards can, in theory, fob off suitors and run societies in their own interests rather than their members'. Whether N&P does this in practice remains to be seen. The official line, repeated at yesterday's annual meeting, is that highest priority will be given to members' interests. But some scepticism is justified. N&P may seek a cosy deal with a white knight that protects management jobs rather than delivers the best price.

Doing what is best for members does not, of course, mean rushing into Abbey's arms. For a start, Abbey has not named a price. It is also unclear what other offers may be available. Another bank may be prepared to offer a better price. Alternatively, it may be attractive to merge with another society if that is a prelude to converting into a bank – as members would then receive shares. N&P's board is not under any legal requirement to seek out the best offers, but the moral imperative is great.

Bank formed in 1695 with £100,000 capital from 172 'adventurers'

The customer took his best shot



Bank of Scotland did not have it easy in the early days. The "publick bank" formed under an Act of the Scottish parliament in 1695 nearly collapsed a year later after the rival Darien Company organised a run on its deposits, writes John Gapper.

It was formed with £100,000 capital from 172 "adventurers" including 24 nobles, 41 merchants and 14 lawyers and judges.

All English partners were deemed Scotsmen, in retaliation for the English parliament regarding Scots as "aliens".

It made consistent profits after the Act of Union in 1707, but a 1728 crisis when it could not meet the face value of some bank notes led to it including an option on its notes allowing it to pay six months after presentation.

The Jacobite sympathies of its early directors did not prevent it withdrawing credit from the army of Bonnie Prince Charlie in 1745 because rebellion was bad for business.

The bank was closed for two months when he occupied Edinburgh.

In 1786, Robert Burns wrote a poem on the back of one of its notes, following the repudiation of his marriage to Jean Armour: "For lack of thee I leave this much lov'd shore/ Never, perhaps, to greet old Scotland more," he wrote.

By the second half of the 18th century, its main activity had become lending through bills of exchange and overdrafts.

In the 1780s, it contributed to famine relief by making low interest loans to districts in years of poor harvest.

The bank grew rapidly during the 1790s, despite the war with France.

The value of bills accepted in London increased four times, while income from its branch network rose from £19,580 in 1791 to £62,215 in 1800.

But it went through hard times again following the Battle of Waterloo in 1815.

By 1830, it suffered competition from the new Glasgow joint stock banks, and it did not respond rapidly enough to prosper in an age of industrialisation.

In 1826, the last duel was fought in Scotland between its agent in Kirkcaldy, and a customer. The customer killed the agent with a pistol, but was acquitted of murder on the grounds that he acted in self-defence. The two families were later reconciled by the marriage of the agent's first cousin to the customer's daughter.

Bank of Scotland 1695-1995: A Very Singular Institution. By Alan Cameron. Mainstream Publishing. £14.99

US alliance with Totem for Ugland

By Charles Batchelor, Transport Correspondent

Ugland International, the shipowning and management group, will gain access to the US market through a strategic alliance agreed with Totem Resources, one of the largest US tug and barge operators.

Ugland has taken a 25 per cent voting stake in Interocean Management, TRC's ship management arm, while TRC, based in Seattle, has acquired a 25 per cent voting interest in Ugland Brothers, Ugland's ship management subsidiary.

Ship management fees for US vessels are typically three times the level for non-US vessels, while contracts tend to be longer. The deal means that TRC can use Ugland's international network of offices at a time when a growing number of US shipowners are registering under foreign flags and employing non-US crews.

As well as acquiring voting stakes in each others' subsidiaries, Ugland will acquire a further 24 per cent "commercial interest" in IOM, while TRC will acquire a further 25 per cent non-voting stake in Ugland Brothers. Ugland is paying about $2m for its shares, while TRC is paying $1.44m.

Monarch Res in black as La Camorra output starts

By Kenneth Gooding, Mining Correspondent

Monarch Resources, the London-listed company that is the biggest private gold producer in Venezuela, moved from a net loss of $3.14m in 1993 to a net profit of $215,000 last year.

Gold production more than doubled to a record 40,841 troy ounces, and Monarch expects output this year to be between 80,000 and 100,000 ounces.

The increase resulted from the start of commercial operations in August at La Camorra and record production and operating results from the Revemin mill. Additionally, the average gold price improved from $357 an ounce in 1993 to $384.

La Camorra produced 12,467 ounces up to the year end, at an average cash cost of $255 an ounce. This was below feasibility study forecasts, but Monarch says the mine should achieve design production levels in the fourth quarter.

In June Monarch was listed in Toronto, now its primary exchange, and raised C$31.7m through an equity offering. This enabled exploration expenditure to more than double to $6.8m ($3.2m).

Exploration concessions were acquired in Mexico and Argentina as part of the strategy of diversifying into other Latin American countries.

NOTICE TO HOLDERS OF THERMO ELECTRON CORPORATION 4¾% SENIOR CONVERTIBLE DEBENTURES DUE 1997

مكرر من الاصل

NatWest sells global custody unit for £17m

By Norma Cohen, Investments Correspondent

NatWest Markets, the corporate and investment banking arm of National Westminster Bank, has agreed to sell its global custody business to Lloyds Bank for £16.9m.

Earlier this year, NatWest had let it be known that its business was for sale, signalling the start of a shake-out in what has become an increasingly competitive banking business. NatWest is the only one of the leading UK banks to withdraw from the custody business.

Custody, the safe keeping of securities for clients, has become an increasingly important business for large international banks because clients of the service are also likely to use more lucrative cash management, foreign exchange and securities lending services.

However, to service these clients, banks have had to make large investments to upgrade their computer systems every year, while, because of fierce competition, fees have collapsed.

Mr Martin Owen, chief executive of NatWest Markets, said the sale reflected the bank's ongoing review of the returns provided by each of its businesses. NatWest's global custody business "is not by any means a market leader and it is behind in technology."

Even if NatWest had invested substantially in upgrading the technology, it would have been hard pressed to keep pace with some of its larger competitors, he said.

Also, the bank has taken the view that some of the "soft" business coming to the industry as a result of custody operations was not necessarily still accruing to NatWest. Clients are divorcing their foreign exchange and cash management businesses from custody and when they are not, they are demanding keener pricing.

From tomorrow, NatWest's custody business, NatWest Investment Services, which has £57bn in custody assets, will be transferred to Lloyds. All but four of the 271 staff members have also been transferred to Lloyds.

Lloyds said it already had £53bn of custody assets. The deal showed that it intended to be a market leader in the provision of global custody services.

LDV expands with S Africa assembly deal

By Paul Cheeseright, Midlands Correspondent

LDV, formerly known as Leyland Daf Vans, has signed an agreement with AAD of Johannesburg for the assembly and distribution of its vans, first in South Africa and later in sub-Saharan Africa.

The company also reported pre-tax profits of £18.3m ($30m) in its first full financial year since a management buy-out from the receiver of Daf, the Dutch truck company, in April 1993.

Both announcements signalled the consolidation of the company since Mr Allan Amey, chief executive, and his colleagues pulled together a £40m financial package to buy the group.

At the time doubts were widely expressed about the future soundness of a relatively small, medium-technology manufacturer in an intensely competitive market.

Mr Amey's timing was perfect. The van market started to recover in the second half of 1993 after being in the doldrums since 1989. Demand for its pressings, from customers like Land Rover, increased as UK-based motor manufacturers built up production.

LDV quickly settled into a production rhythm, and in its first eight months made pre-tax profits of £7.1m on sales of £63.7m.

Sales accelerated in the year to last December, reaching £150.5m, of which £30m came from pressings. Van production, which had averaged 200 a week in 1993, rose last year to 300 a week, comfortably above the output of 9,000 vehicles a year – the level at which the buy-out team had calculated the company could break even.

"We have not allowed the break-even point to drift up," said Mr Amey, noting the company's attention to containing costs and explaining that, as a proportion of sales, pre-tax profits rose from 11.1 to 12.2 per cent in 1994. At the outset, the buy-out team had a target of a 10 per cent return on sales.

LDV believes that it has firmly re-established its position as a niche producer on the UK market and has begun to re-establish in western Europe. Mr Amey's objective now is to lift the insignificant number of export sales to 40 per cent of total output in three years.

The South African agreement follows a similar arrangement in Poland. In each case the idea is to set up an assembly point for kits made in Birmingham and use established local sales networks to penetrate new markets. In the first year South African sales are expected to reach 400.

Expanding sales have permitted LDV to advance development plans for the technical evolution of its vans and to repay the Royal Bank of Scotland half of the senior debt of £7m it took on at the time of the buy-out.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Air London §	6 mths to Jan 31	12.2	(7.78)	0.38	(0.3)	2.8	(2.2)	1.6	June 21	1.6	-	3.5
Bank of Scotland	Yr to Feb 28	-	(-)	449.7♠	(268.7♠)	22.3	(12.2)	3.69	July 7	3.18	5.82	5.05
Bentalls	Yr to Jan 28	84.4	(72.9)	2.5	(1.75)	9.73	(2.25)	1.55	June 12	1.4	2.15	2
Bisichi Mining	Yr to Dec 31	0.42■	(0.41■)	0.334♥	(0.04♠)	3.08	(0.04L)	0.71	Aug 25	0.68	0.71	0.68
Dencora	Yr to Dec 31	26	(29.6)	2.12	(1.58)	6.1	(3.7)	3.7	July 1	3.3	3.7	3.3
DFS Furniture	6 mths to Jan 28	73.7	(66.6)	13.1	(9.99♠)	8.27	(6.26)	2.65	June 20	2.3	-	7.2
Farringford	Yr to Feb 28	0.552	(0.636)	0.247L	(0.866L)	1L	(3.8L)	-	-	-	-	-
JJB Sports	Yr to Jan 31	61.3	(43.8)	7.59	(4.58)	18.75	(12.42)	2	July 3	-	2	-
Jourdan (Thomas)	Yr to Dec 31	23	(22.9)	3.47L	(0.13)	19.4L	(0.59)	0.75	July 4	0.5	1.25	1
Lionheart	Yr to Dec 31	41.2	(46.7)	0.16L	(1.77)	3.37L	(0.49)	nil	-	0.1	nil	0.3
LAIT	Yr to Dec 31	4.82§§	(3.92§§)	1.71	(1.52)	1.91	(1.48)	0.63	Aug 31	0.59	0.68	0.64
Monarch Resources ☆	Yr to Dec 31	15.8	(7.37)	0.41	(2.89L)	0	(0.12L)	-	-	-	-	-
Plantation & Gen	Yr to Dec 31	47.7	(44.8)	3.91	(0.217)	8.8	(1.6L)	1.5	July 31	0.75	2.5	1.5
Sentry Farming §	Yr to Dec 31	7	(6.2)	0.977	(0.788)	15.5	(11.1)	3.4	June 2	2.25	3.4	2.25
Seafield	Yr to Dec 31	17	(27.5)	0.193	(24.2L)	0.3	(35.4L)	nil	-	nil	nil	nil
Shiloh	Yr to Mar 25	29.2	(28.2)	0.58	(1.13)	4.55	(15.15)	2.75	June 15	2.5	3.75	3.5
VSEL		-	-	-	-	-	-	30‡	June 9	23.5	42	34

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
English Nat Pref	Yr to Mar 31	351.4	(374.4)	0.615	(0.52)	19	(16.5)	11.8	June 23	11.2	17.2	16.2
English Nat Defd	Yr to Mar 31	276.4	(299.4)	0.615	(0.52)	14.1	(11.8)	9.35	June 23	8.75	12.3	11.3
Murray Split Cap	6 mths to Feb 28	171.6	(222.7‡)	0.331	(0.369)	4.14	(4.61)	2.65‡‡	July 3	2.65	-	‡10.6
TR High Income		-	-	-	-	-	-	1.5✦	July 31	1.5	-	6.1
Vestaur	Yr to Mar 31	21.12	(28.68)	0.222	(0.263)	3.7	(4.39)	2.34	June 8	2.19	4	3.75

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. §USM stock. ‡At August 31. ‡‡Second interim: makes 5.3p to date. ■Gross rents. §§Gross income. ☆US currency. ‡Second interim in lieu of final. ✦First interim.

Unilever takes stake in Peru associate

Unilever, the Anglo-Dutch consumer products group, has agreed to acquire a little more than 50 per cent of the voting shares in its former Peruvian subsidiary.

It has signed a partnership agreement with Industrias Pacocha, which it sold in 1971 because of the economic and political situation in Peru. However, the Peruvian company has continued to make Unilever products under licence, including Lux soap, Signal toothpaste and Brut toiletries.

Announcing its results in February, Unilever said it was planning to boost its presence, sales and profits in emerging markets.

Industrias Pacocha has annual turnover of about $107m and employs 750 people at two manufacturing sites. It has leading shares in several of Peru's markets, including toilet soap and margarine, and a strong presence in the edible oils market.

Unilever, which did not disclose the price of the deal, said it would take an active role in the further development of the company.

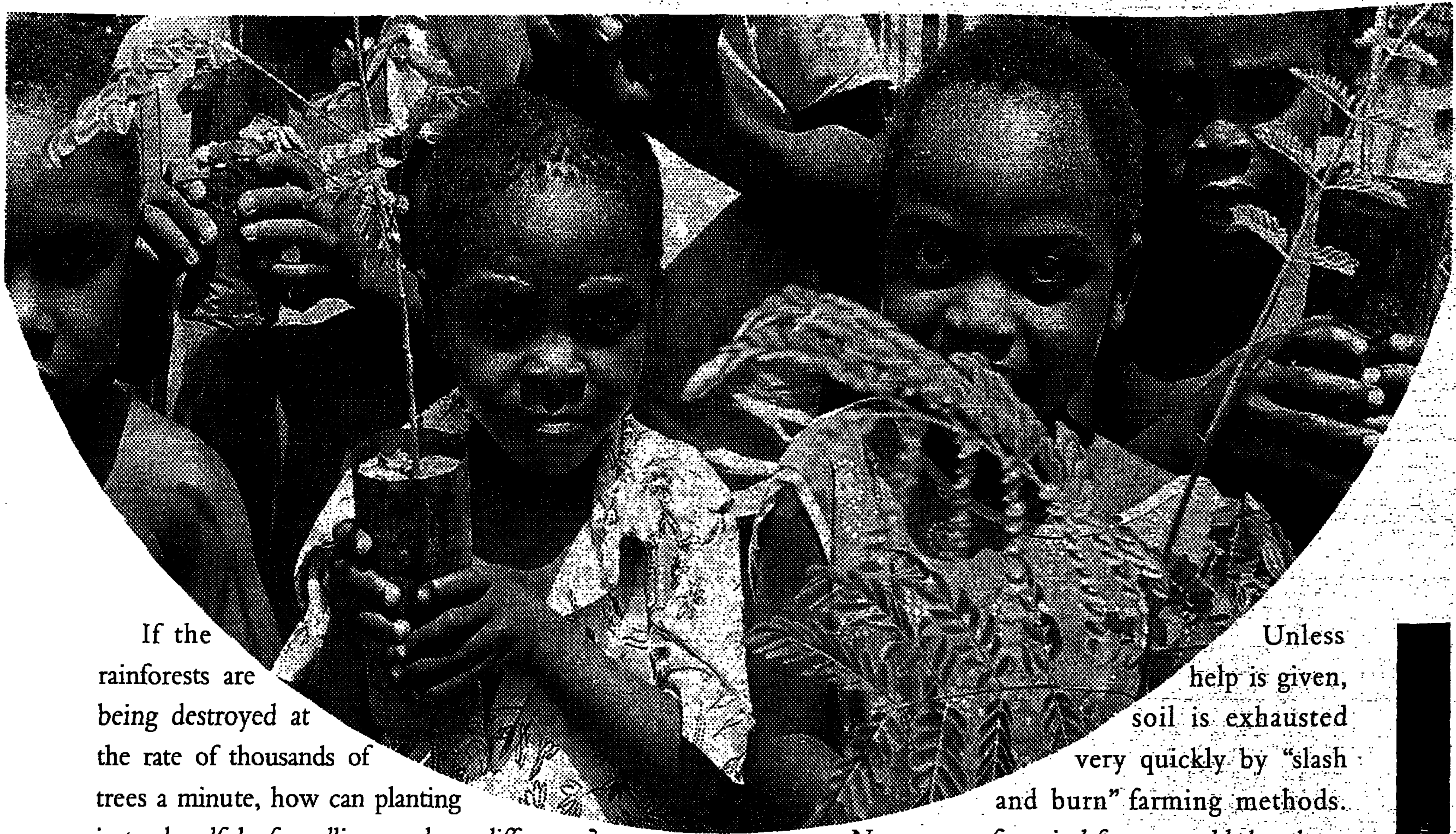
Gem River survey puts Butte in black

Butte Mining, whose main activity is sueing former managers and promoters for damages of up to $1bn (£600m) in the US, and whose flotation was the focus of a Serious Fraud Office investigation, is "alive and well" according to Mr David Lloyd-Jacob, chairman.

Pre-tax profits amounted to £49,000 in the six months to December 31. This compared with losses of £355,000 last time. The improvement in its fortunes is largely the result of the successful exploration of a sapphire property in Montana carried out for the Gem River Corporation of the US.

Turnover grew to £496,000 (£20,000) as a result of the receipt of shares in the Gem River sapphire property. Earnings per share were 0.02p (0.15p losses).

Gem River has drafted Alberta and UK prospectuses, which Butte is hoping to use to raise up to £3.5m.



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

A WWF – World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Markhamia lotea* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

Unless help is given, soil is exhausted very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.

WWF World Wide Fund For Nature
(formerly World Wildlife Fund)

International Secretariat, 1196 Gland, Switzerland.

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FOR THE SAKE OF THE CHILDREN
WE GAVE THEM A NURSERY.

COMMODITIES AND AGRICULTURE

Nickel producers 'flat out' to match demand surge

By Kenneth Gooding, Mining Correspondent in Paris

Nickel users at present are more concerned about future supply and securing the tonnages they believe they will need rather than prices, according to Mr Yves Rambaud, chairman of Eramet, the world's biggest producer of ferro-nickel.

Eramet is negotiating new long term contracts with many European customers. Consumers were worried about the uncertainties surrounding supplies from the Norilsk group in Russia, the biggest nickel (as distinct from ferro-nickel) producer, he said yesterday. Norilsk's ability to continue exporting high tonnages of nickel depended on there being no severe production difficulties and on any recovery in Russian demand for the metal.

Mr Rambaud said western producers at present were working flat out and his group could have sold more nickel last year if it had had the capacity or the stocks. He estimated there was only an extra 45,000 tonnes of annual capacity that would become available outside Russia before 1999.

According to Eramet, nickel consumption last year jumped by 13 per cent from the 1993 level, driven by demand from the stainless steel industry, the biggest user.

Consumption was forecast by the group to rise by a further 6 to 7 per cent to about 800,000 tonnes this year. By working at full stretch, western producers might lift supply from 590,000 to 660,000 tonnes. That would leave room for about 140,000 tonnes of Russian exports compared with the 160,000 tonnes (including nickel described as "scrap") exported last year.

Eramet expected the market would see a small supply deficit in 1995, of about 10,000 tonnes, compared with a surplus of between 5,000 and 10,000 tonnes in 1994.

Prices were unlikely to rise above US$4 a pound for any length of time because of Russian supplies, Mr Rambaud suggested. Nor were they likely to fall below $3 for long.

Eramet raised nickel production from 47,730 tonnes in 1993 to 50,130 tonnes last year and had set itself targets of 52,000 and 54,000 tonnes for 1995 and 1996. Before the end of this year the board was likely to give approval for a FFr2bn expansion programme that would lift capacity at the SLN subsidiary in New Caledonia to about 70,000 tonnes by the end of the decade. Mr Rambaud promised this would be timed carefully to take account of market conditions.

Argentine copper-gold deposit upgraded

By Nikki Tait in Sydney

The Bajo de la Alumbrera copper-gold deposit in Argentina, in which Queensland's MIM Holdings and Canada's International Musto have equal shares, has been significantly upgraded and a new mine plan has prepared.

According to MIM, the project's operator, proven and probable reserves have been lifted to 694m tonnes; last year's feasibility study put the figure at 563m tonnes.

The new mine plan provides for an open-cut mine, producing concentrate containing an average 180,000 tonnes of copper and 640,000 ounces of gold a year over the 19-year life of the mine. Previously the figures were put at 170,000 tonnes of copper and 550,000 ounces of gold, and the mine development cost at about US$780m.

The revised estimates of the mine's size may have implications for International Musto, which has effectively put itself up for sale and this month attracted an offer worth C$12.50 a share – or US$304m in total – from Canada's Placer Dome. However, there has been talk of other potential bidders, and Vancouver-based Musto has said that several unnamed parties have conducted due diligence.

● Mr Leon Davis, chief executive of CRA, the Australian-based mining group in which Britain's RTZ has a 49 per cent interest, said this week that discussions were continuing with Pasminco, the zinc producer, over the potential supply of "clean concentrates" from CRA's yet-to-be-developed Century mine in Queensland, and was hopeful of a resolution within the current timetable dictated by the Dutch authorities.

"Volumes are pretty much agreed, but other things need resolution. Of course, the most important one is price; term is another," he said.

A deal is vital to the future of the Budelco smelter in the Netherlands, which produces about 5 per cent of the western world zinc, as it is seen as the only means by which facility can meet future pollution restrictions. Mr Davis was speaking after CRA's annual meeting in Melbourne. Shareholders were told that the outlook for the current year was "promising".

Separately, Novacoal Australia, the CRA unit, announced that the "Newcastle group" had won a 17 per cent price rise for semi-coking coal deliveries to Japanese steel mills for the contract year which began on April 1. The group – which takes in the Hunter Valley production Bloomfield, Coal & Allied, Exxon, Novacoal, Oakbridge and Warkworth – will receive US$42.67 a tonne, up US$6.27 on last year. The volume supplied will be unchanged at 2.15m tonnes.

Agreement clears way for PNG gold development

By Nikki Tait

Local landowners in Lihir, the Papua New Guinean island that is at the centre of a large gold mine project, yesterday signed agreements with the PNG government and project developers. This represents the final step in the lengthy four-year process of obtaining development permission, and means that work on the mine, one of the largest known ore bodies outside South Africa, can finally go ahead.

The landowner agreements contain the various compensation conditions that will apply. Ownership of the project is to be divided between the PNG government, Niugini Mining, and Britain's RTZ, ahead of a stock market flotation, and the necessary "special mining lease" was granted by the PNG government earlier this year.

In its third quarter report, released on Tuesday, Niugini Mining said negotiations towards securing the debt and equity financing for the project were "proceeding satisfactorily", with a closing date of end-June being set for the US$300m debt financing. The equity – likely to be around US$450m – is due to be raised "shortly after" the debt finance is in place.

Ecuador seeks Latin American unity in EU 'banana war'

By Raymond Colitt in Quito

Ecuador, the world's leading exporter of bananas, is crying foul over the European Union's latest import restrictions on Latin American bananas, which went into effect last month.

Mr Vicente Maldonado, minister of industry and commerce, said this week that Latin American producers should make a united stand to deny the EU victory in the "banana war".

The latest EU trade restrictions affected principally those Latin American producers who did not subscribe to last January's framework agreement with the EU, which ascribed import quotas to Colombia, Costa Rica, Venezuela and Nicaragua, the minister explained.

Ecuador has managed to open new markets in the Middle East and Far East to compensate for the reduced demand in Europe. In the first three months of this year Ecuador exported 27 per cent more than during the same period in 1994. Yet the country now fears that the extra cost of at least $7 a box for an EU import licence will seriously hurt its sales.

The country has taken several measures in the past year further to reduce its costs and to increase its efficiency in the production of bananas. The latest move in this direction is the introduction of a new variety of plantain that is resistant to the wide-spread sigatoka disease.

At present fumigation to combat sigatoka disease represents some 40 per cent of total production costs.

Ecuador has some 150,000 hectares of plantain cultivation, just in excess of the area for its total export banana production. It exports some 5m-6m boxes of plantain each year, principally to the US.

The genetic material for the new variety of plants came from the Honduran agricultural research foundation, FIAH, and will serve as the basis for the cultivation of some 70,000 plants to be sold by the state banana programme to the country's major producers.

"Introducing the new variety reflects the country's seriousness in eradicating the costly sigatoka disease," said sub-secretary of agriculture, Mr Xavier Icaza. He expected that in two to three years Goldfinger, the new banana variety, would be ready to replace Cavendish, now the predominant export crop.

Lack of rain holds back Indian tea production

By Kunal Bose in Calcutta

Indian tea production in the first four months of 1995 will be well below the 133m kg produced in the same period last year. This is because all tea growing centres in the north except upper Assam have so far received "scanty rainfall". Weather conditions in the south have started improving only recently.

According to Mr S.K. Bhasin, chairman of the Indian Tea Association, "in spite of the unfavourable weather in the beginning of the season, India should be harvesting a crop of 745m kg this year, which is nearly the same as in 1994". The 1993 crop amounted to 758.1m kg, which, however, included a fairly large quantity of inferior tea. Leading tea brokers said a clearer picture of the 1995 crop would emerge by the end of June.

Besides the lack of rain, production is also being restricted by the new-found concentration among the growers on the production of quality tea. "Last year, a lot of Indian tea got disappointingly low prices" because of the large quantity of poor quality tea produced at the end of 1993 and in the first half of 1994, Mr Bhasin said. Having received a bad mauling at the auction centres, the growers arrived at a consensus that the focus henceforward should be on quality.

The federal government has given the industry a production target of 780m kg. "We are not chasing the target. Neither will it be possible for us to export 210m kg of tea as wanted by the government. However, we will export more tea in the current year than in 1994," said an industry official.

In sharp contrast to India, Kenya, helped by good weather, is heading for a bumper tea crop in 1995. In January and February the Kenyan output was up nearly 15m kg to 40.2m. According to Mr Bhasin, indiscriminate plucking and uneven manufacture on many Kenyan estates also contributed to the high production level. This was reflected, he said, in the low prices being paid for Kenyan teas at the London auctions.

As Kenya has only a small domestic market it will this year be exporting a lot more CTC (cut, tear and curl) tea – the country does not make the orthodox variety. Mr Bhasin did not think that the higher volume of Kenyan export would affect Indian CTC tea sales in the UK and the other European countries. "We generally export high quality tea where we do not meet with competition from Kenya," he said.

It could not be denied, however, that there was a distinct preference for the "clear, golden liquoring of the good Kenyan tea" in many markets.

Mr Bhasin was "bullish" about the export prospects for Indian tea this year. He expected Russia, normally a buyer of good quality tea, to buy a lot more from India in 1995. The improved Russian buying should give a boost to the Indian orthodox tea. According to Mr Bhasin, "Iran will resume buying Indian tea, which it found a little too expensive in the past two years." Last year Indian tea exports fell to 149m kg from 180m in 1993.

The emphasis on the production of quality tea and the improved export prospects should see Indian auction prices going up by over 10 per cent this year, according to the brokers.

In the meantime, Sri Lanka had harvested a crop of 39.2m kg in the first two months against 36.9m kg in the same period last year. According to industry officials, the production of tea continues to be encouraging in Sri Lanka.

Seven of the world's leading tea producers will meet here today to form a producers' association, reports Reuters from Colombo.

About 20 senior tea trade officials from India, Bangladesh, China, Indonesia, Iran, Malawi and Sri Lanka will attend the two-day meeting.

"It will be a joint producer association to work for the common good of tea producers. We will discuss research and technological co-operation," said Sri Lankan Tea Board Director General Ranjith Maligaspe.

Other issues discussed would depend on what the members wanted. "I don't think matters like pricing or production limits will be discussed, but that is up to the members," said Gen Maligaspe.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1791-2	1763-4
Previous	1827-8	1817-8
High/low		1833/1762
AM Official	1796-7	1789-90
Kerb close		1788-90
Open int.	196,253	
Total daily turnover	75,987	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1705-15	1725-30
Previous	1710-20	1740-50
High/low		1725/1710
AM Official	1700-10	1720-30
Kerb close		1720-40
Open int.	2,407	
Total daily turnover	487	

■ LEAD ($ per tonne)

Close	607-8	619-20
Previous	605-6	617-8
High/low	1067	1088/1073
AM Official	605-6	618.5-19.0
Kerb close		623-4
Open int.	32,885	
Total daily turnover	5,618	

■ NICKEL ($ per tonne)

Close	7215-25	7345-50
Previous	7220-30	7330-40
High/low		7350/7200
AM Official	7165-70	7290-300
Kerb close		7350-70
Open int.	48,487	
Total daily turnover	11,705	

■ TIN ($ per tonne)

Close	5900-10	5910-20
Previous	5810-20	5920-30
High/low		5960/5870
AM Official	5880-60	5885-90
Kerb close		5900-10
Open int.	18,376	
Total daily turnover	3,816	

■ ZINC, special high grade ($ per tonne)

Close	1062-3	1082-3
Previous	1055.5-56.5	1078-79
High/low	1067	1088/1073
AM Official	1068-69	1087-88
Kerb close		1087-8
Open int.	89,444	
Total daily turnover	28,821	

■ COPPER, grade A ($ per tonne)

Close	2769-70	2744-5
Previous	2756-57	2738-40
High/low	2779/2777	2757/2724
AM Official	2779-80	2752-53
Kerb close		2750-1
Open int.	244,232	
Total daily turnover	117,228	

■ LME AM Official £/$ rate: 1.6091

LME Closing £/$ rate: 1.6105

Spot:1.6105 3 mths:1.6087 6 mths:1.6043 9 mths:1.5988

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Apr	126.40	-0.65	128.20	126.30	389	137
May	125.45	+0.35	127.30	125.30	11,025	5,185
Jun	125.75	+0.50	126.30	125.20	1,017	128
Jul	125.05	+0.85	125.20	124.00	26,132	15,004
Aug	124.35	+0.80	-	-	525	66
Sep	123.65	+0.90	123.60	122.50	4,436	380
Total					43,478	22,846

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.40-388.80		
Opening	389.50-389.90		
Morning fix	389.65	242.173	443.259
Afternoon fix	388.90	240.567	441.518
Day's High	389.90-390.30		
Day's Low	387.60-388.00		
Previous close	389.80-390.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.17	6 months	5.14
2 months	5.16	12 months	5.14
3 months	5.14		

	p/troy oz.	US cts equiv.
Silver Fix	353.65	568.50
Spot	359.25	576.50
3 months	365.20	584.65
6 months	378.85	602.80
1 year		
Gold Coins	$ price	£ equiv.
Krugerrand	393-396	243-246
Maple Leaf	389.40-401.90	
New Sovereign	91-94	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	386.2	-4.0	390.3	386.0	165	33
May	386.2	-4.1	-	-	334	23,018
Jun	388.0	-4.3	392.5	387.5	98,862	14,778
Aug	391.3	-4.3	395.6	390.7	23,739	1,403
Oct	394.7	-4.3	398.0	394.2	7,170	61
Dec	398.2	-4.4	402.0	397.3	16,552	462
Total					198,084	25,639

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	442.8	-	-	-	29	11
Jul	440.0	-1.8	445.0	439.5	17,607	2,755
Oct	442.3	-1.8	445.5	442.3	3,400	172
Jan	444.5	-1.8	-	-	1,375	3
Apr	447.5	-1.8	-	-	682	75
Total					23,093	3,016

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Apr	163.25	-2.10	-	-	20	-
Jun	160.70	-3.55	164.50	160.00	4,482	274
Sep	162.60	-3.65	166.00	162.60	2,081	137
Dec	163.85	-3.65	-	-	167	2
Total					6,739	411

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Apr	557.0	-14.7	-	-	25	25
May	557.0	-14.7	572.0	556.0	19,310	18,620
Jul	563.4	-14.9	579.0	561.5	54,664	9,732
Sep	569.2	-15.0	582.0	567.5	9,697	896
Dec	557.8	-15.1	594.0	557.8	15,265	990
Jan	580.8	-15.1	-	-	15	-
Total					125,453	31,002

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	20.17	-0.12	20.32	20.08	111,658	46,532
Jul	19.88	-0.07	20.05	19.75	56,122	18,896
Aug	19.48	-0.07	19.55	19.44	27,992	6,371
Sep	19.20	-0.05	19.30	19.12	20,137	4,347
Oct	18.98	-0.06	19.00	18.91	15,583	1,803
Nov	18.76	-0.11	18.76	18.76	11,543	2,013
Total					355,016	89,637

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	18.62	-0.12	18.76	18.60	65,056	24,430
Jul	18.17	-0.09	18.27	18.13	24,476	14,165
Aug	17.88	-0.06	17.98	17.84	18,241	4,501
Sep	17.68	-0.01	17.71	17.61	9,668	1,359
Oct	17.55	-0.04	17.57	17.50	7,963	255
Nov	17.38	-0.06	17.48	17.36	2,864	293
Total					148,018	45,155

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	50.60	-0.25	50.90	50.25	15,253	14,837
Jun	50.60	-0.25	50.95	50.20	35,890	12,750
Jul	50.75	-0.15	50.80	50.50	20,237	3,701
Aug	51.00	-0.15	51.05	51.00	9,286	2,088
Sep	51.85	+0.20	-	-	5,382	816
Oct	52.45	-0.15	-	-	5,037	100
Total					128,185	36,711

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	158.75	-1.75	160.25	158.50	22,534	9,388
Jun	156.75	-1.00	157.75	156.75	23,883	8,714
Jul	158.00	-0.50	158.75	158.00	16,784	2,344
Aug	157.25	-0.25	157.75	156.75	4,885	1,109
Sep	158.50	-0.50	159.00	158.25	5,000	221
Dec	160.75	-0.50	161.00	161.00	3,425	208
Total					94,081	21,882

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	1.690	+0.005	1.694	1.675	24,813	10,984
Jul	1.715	+0.003	1.725	1.701	20,667	2,538
Aug	1.730	+0.007	1.730	1.715	15,138	893
Sep	1.730	+0.003	1.735	1.721	16,004	600
Oct	1.775	+0.010	1.775	1.770	12,203	1,051
Nov	1.845	-	1.850	1.845	8,368	442
Total					143,703	19,943

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	62.86	-0.08	63.40	62.45	17,553	16,331
Jun	61.70	-0.02	62.05	61.35	34,365	11,268
Jul	60.40	-0.02	60.65	60.20	13,067	2,004
Aug	59.15	-0.07	59.20	59.10	6,079	719
Sep	57.90	-0.07	57.85	57.80	2,880	567
Oct	56.30	+0.03	-	-	1,806	339
Total					76,697	31,348

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	118.55	-0.85	119.50	118.35	1,040	303
Jul	119.50	-1.00	120.20	119.25	754	132
Sep	104.25	-0.70	104.25	104.00	405	4
Nov	105.25	-0.70	105.50	105.00	2,868	63
Jan	107.20	-0.65	107.50	107.20	949	70
Mar	108.80	-0.45	-	-	460	-
Total					6,387	604

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	353/6	-0/2	356/6	352/6	6,819	3,734
Jul	353/2	-0/6	358/2	352/2	35,131	13,338
Sep	359/4	-0/6	363/0	358/6	6,649	1,830
Dec	372/6	-0/2	375/2	371/4	5,771	1,499
Mar	377/4	-0/4	379/0	376/0	539	32
Jul	343/0	+1/0	346/0	341/4	84	33
Total					54,893	20,468

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	249/2	+0/6	249/4	248/2	38,025	25,097
Jul	256/0	+0/6	256/2	255/0	131,351	25,074
Sep	260/4	+0/2	261/0	259/6	27,828	2,171
Dec	263/6	-	264/2	262/6	121,270	18,771
Mar	269/6	-0/2	270/2	269/2	12,012	525
May	274/0	-0/4	274/4	273/4	870	111
Total					342,122	72,888

■ BARLEY LCE (£ per tonne)

May	111.65	+0.15	111.65	111.25	87	32
Sep	103.40	-0.35	103.50	103.25	138	13
Nov	104.65	-0.60	105.00	104.75	581	30
Jan	106.75	-0.50	107.00	106.75	272	20
Mar	108.65	-0.25	-	-	106	-
May	109.65	-0.35	109.75	109.65	20	5
Total					1,204	100

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	565/0	-3/2	569/6	564/4	19,680	10,379
Jul	577/0	-3/2	582/0	576/4	58,783	22,967
Aug	582/0	-3/2	587/0	581/4	9,356	1,391
Sep	586/0	-3/2	590/4	586/0	5,055	901
Nov	595/0	-3/2	599/6	594/2	37,896	708
Jan	603/4	-2/6	607/4	603/0	2,718	97
Total					137,877	43,881

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	25.49	-0.14	25.72	25.41	13,466	7,376
Jul	25.27	-0.10	25.43	25.22	35,561	12,020
Aug	25.26	-0.08	25.40	25.23	9,537	2,309
Sep	25.21	-0.10	25.38	25.18	8,406	757
Oct	25.09	-0.13	25.25	25.07	8,320	171
Dec	24.97	-0.10	25.10	24.81	14,451	2,147
Total					89,211	24,881

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	162.2	-0.7	164.0	162.1	15,662	6,606
Jul	167.6	-0.6	169.3	167.5	37,140	8,806
Aug	169.8	-0.7	171.4	169.7	10,224	671
Sep	172.1	-0.8	173.5	172.0	7,438	1,034
Oct	174.0	-0.6	175.2	173.9	10,553	914
Dec	177.5	-0.5	179.3	177.4	13,465	1,311
Total					96,682	19,579

■ POTATOES LCE (£/tonne)

May	311.0	-6.5	317.5	311.0	148	33
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	250.0	-	-	-	-	-
Apr	118.8	+3.8	120.0	117.0	272	10
May	134.0	-	-	-	-	-
Total					420	43

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	2323	+8	-	-	631	
May	2335	+35	2335	2300	1,028	133
Jun	2218	+33	2218	2185	317	53
Jul	2030	+28	2030	2005	1,108	37
Oct	1990	+20	1990	1960	1,132	32
Jan	1898	+18	1898	1855	417	40
Total					4,633	295

	Close	Prev
BFI	2320	2313

Nuts and Seeds

1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,300 FOT MEP; market calm. US almonds (shelled) 23/25 NPSSR 5,200, FAS California: strong. US walnuts (shelled) light halves and pieces 4,550 FAS California. Indian cashews, raw, W320, up slightly on US buying. Spot supplies at 5,400 FOT MEP. Turkish hazelnut kernels, 13/15 standard 1s 3,400 C&F MEP, down slightly. Pumpkin seed: Chinese snow white, long 1,850 FOT: Russian S/W, round type not available, long at 2,425 FOT. US sunflower seeds: Kansas, round, 850 CIF MEP; N Dakota, round, 750 CIF MEP. Turkish apricot, size 4 at 1,900 C&F MEP prompt. Prices steady on Australian demand.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	941	-7	950	940	14,361	2,906
Jul	970	-6	976	970	22,883	8,378
Sep	992	-5	997	990	19,912	377
Dec	1019	-3	1023	1019	24,629	6,210
Mar	1042	-	1045	1041	24,892	324
May	1053	+1	1053	1053	6,196	102
Total					122,949	18,624

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1392	+1	1400	1380	2,294	170
Jul	1392	+1	1403	1379	26,852	5,163
Sep	1414	-	1420	1401	14,468	270
Dec	1448	-	1445	1440	11,057	612
Mar	1480	-	1476	1475	6,047	10
May	1499	-	-	-	4,543	-
Total					72,449	6,216

■ COCOA (ICCO) (SDR's/tonne)

April 25	Price	Prev. day
Daily	950.75	957.13

■ COFFEE LCE ($/tonne)

May	3181	-15	3206	3160	5,537	3,563
Jul	3188	+5	3200	3162	17,006	3,105
Sep	3157	+7	3158	3129	9,056	875
Nov	3136	+5	3140	3120	1,944	28
Jan	3120	+7	3120	3105	316	5
Mar	3090	-3	-	-	4	-
Total					33,865	7,676

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	173.65	-1.30	174.60	172.20	527	460
Jul	177.45	-0.90	178.45	175.85	17,476	6,842
Sep	179.50	-0.95	180.25	178.00	7,741	1,218
Dec	181.25	-	181.50	179.50	5,643	446
Mar	182.65	-1.05	182.75	181.25	1,759	51
May	183.60	-0.90	-	-	84	-
Total					33,222	9,017

■ COFFEE (ICO) (US cents/pound)

April 25	Price	Prev. day
Comp. daily	164.71	165.05
15 day average	159.15	158.63

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

May	13.42	-	13.42	13.42	1,278	590
Jul	13.20	-	-	-	2,360	-
Oct	12.58	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	12.03	-	-	-	2,000	-
Total					5,938	590

■ WHITE SUGAR LCE ($/tonne)

Aug	333.8	-1.7	337.0	333.8	13,636	966
Oct	303.5	+0.5	304.8	302.9	4,833	430
Dec	297.5	-0.1	297.5	297.0	2,186	271
Mar	297.6	-	297.9	297.9	1,341	30
May	297.0	-0.5	297.0	296.3	290	40
Aug	297.4	+0.6	297.3	297.3	152	18
Total					22,589	1,755

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	12.89	+0.07	13.00	12.87	20,571	12,361
Jul	11.47	+0.04	11.55	11.37	64,036	13,128
Oct	10.78	-0.05	10.93	10.75	33,853	3,884
Mar	10.62	-0.04	10.73	10.80	19,938	677
May	10.50	-	10.60	10.48	5,983	189
Jul	10.34	-0.06	10.46	10.35	5,784	81
Total					151,891	30,332

■ COTTON NYCE (50,000lbs; cents/lbs)

May	105.50	-8.00	113.00	105.00	2,229	604
Jul	104.05	-2.05	106.80	104.05	20,353	4,462
Oct	82.32	-1.43	84.10	82.05	8,230	1,071
Dec	77.93	-1.32	79.45	77.70	26,606	4,282
Mar	79.00	-1.30	80.35	78.95	7,738	531
May	79.50	-1.00	80.85	78.50	2,435	110
Total					68,679	11,984

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	101.70	-4.90	105.80	100.25	3,800	2,118
Jul	106.40	-5.00	110.80	106.40	15,098	2,027
Sep	109.60	-5.00	114.00	109.60	6,889	603
Nov	105.80	-4.50	110.00	105.30	2,215	305
Jan	107.30	-4.65	110.60	107.30	2,713	251
Mar	110.00	-3.95	110.00	110.00	814	1
Total					31,721	5,309

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 26	Apr 25	month ago	year ago
2333.2	2331.2	2305.4	1827.5

■ CRB Futures (Base: 1967=100)

Apr 25	Apr 24	month ago	year ago
236.63	236.68	232.74	221.65

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	62.700	-0.450	63.250	62.600	30,291	7,077
Aug	60.950	-0.100	61.200	60.750	10,977	1,611
Oct	62.350	-0.400	62.775	62.275	7,401	1,020
Dec	63.525	-0.175	63.800	63.400	3,749	629
Feb	64.500	-0.125	64.725	64.400	2,498	108
Apr	65.500	-0.125	65.650	65.400	1,154	76
Total					56,078	10,544

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	42.550	-1.500	43.775	42.550	13,341	4,415
Aug	42.975	-0.500	43.200	42.250	4,933	1,913
Oct	40.400	-0.525	40.900	40.200	3,658	790
Dec	41.250	-0.525	41.750	41.100	3,747	531
Feb	42.375	-0.275	42.500	42.200	1,230	212
Apr	42.000	-0.275	42.000	41.700	367	61
Total					27,513	7,952

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	38.500	-1.575	39.900	38.400	2,678	779
Jul	38.025	-1.500	39.150	37.850	4,495	1,320
Aug	36.175	-1.425	37.550	36.150	884	201
Feb	48.000	-0.450	48.500	47.750	169	11
Mar	47.300	-0.700	47.300	47.300	24	1
Total					8,251	2,312

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1700	152	181	66	104
1750	125	156	88	127
1800	101	134	113	152
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2700	111	108	72	120
2750	86	87	96	147
2800	65	70	124	178
■ COFFEE LCE	Jul	Sep	Jul	Sep
3050	256	322	118	215
3100	227	298	139	239
3150	201	272	163	265
■ COCOA LCE	Jul	Sep	Jul	Sep
900	82	112	12	20
925	64	95	19	28
950	49	79	29	37
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1750	101	88	31	82
1800	74	68	51	113
1850	48	51	76	146

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)

		+or-
Dubai	$17.60-7.68w	-0.120
Brent Blend (dated)	$18.86-8.88	-0.240
Brent Blend (Jun)	$18.64-8.66w	-0.110
W.T.I. (1pm est)	$20.11-0.12w	-0.205

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$198-199	
Gas Oil	$162-163	-1
Heavy Fuel Oil	$104-106	+1.5
Naphtha	$170-172	
Jet fuel	$173-174	-1
Diesel	$163-164	-1

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

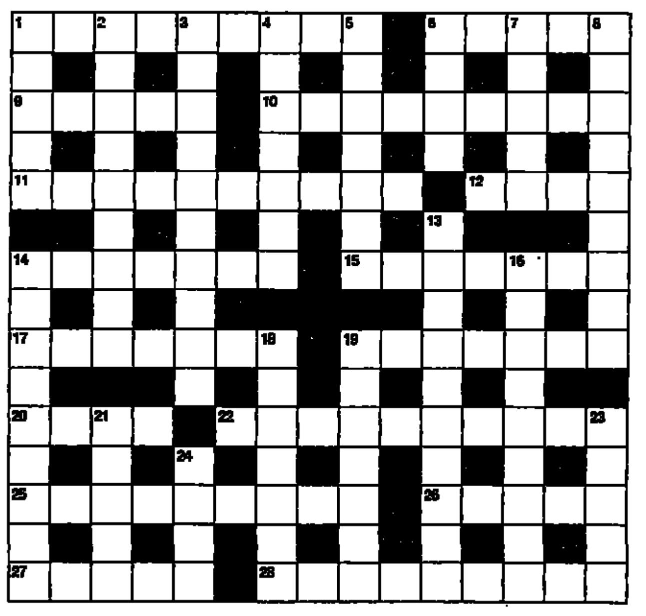
Gold (per troy oz)♣	$388.60	-1.40
Silver (per troy oz)♣	564.50c	-7.00
Platinum (per troy oz.)	$441.50	+3.25
Palladium (per troy oz.)	$162.00	-0.50
Copper (US prod.)	133.0c	-2.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.27m	+0.02
Tin (New York)	280.50c	-2.00
Cattle (live weight)†	121.45p	-1.86*
Sheep (live weight)†♠	128.98p	-7.32*
Pigs (live weight)†	90.38p	-1.47*
Lon. day sugar (raw)	$329.6	-2.6
Lon. day sugar (wte)	$356.6	-0.8
Tate & Lyle export	£318.0	-2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£144.0	
Wheat (US Dark North)	£165.0	
Rubber (Jun)♥	115.25p	-1.25
Rubber (Jul)♥	114.75p	-1.25
Rubber (KL RSS No1)	440.5m	-4.5
Coconut Oil (Phil)§	$620.0y	+5.0
Palm Oil (Malay.)§	$645.0q	+15.0
Copra (Phil)§	$403.0u	-10.0
Soyabeans (US)	£168.0	
Cotton Outlook'A' index	119.40c	
Wooltops (64s Super)	525p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May w Jun. z Apr. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,746 Set by GRIFFIN



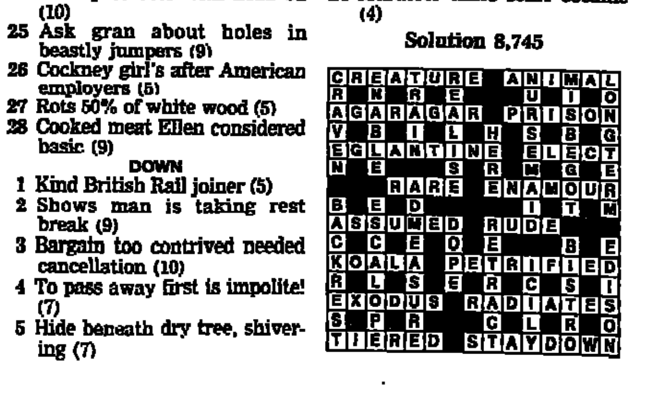
ACROSS

1 Having two pubs round us is cruel (9)
6 Saying low races should be imprisoned (5)
9 Which bores Elizabeth after a month (5)
10 Works outing I forecast (9)
11 Chosen act has Mark at heart (10)
12 Pole drops round with a petition (4)
14 Done cold and hot (7)
15 Making sound returns? (7)
17 Is Sarah's first task to cover meat dish? (7)
19 Fruit bad after almost 30 days (7)
20 Sweet and sour (4)
22 Acidity of beer with head on (10)
25 Ask gran about holes in beastly jumpers (9)
26 Cockney girl's after American employers (5)
27 Rots 50% of white wood (5)
28 Cooked meat Ellen considered basic (9)

DOWN

1 Kind British Rail joiner (5)
2 Shows man is taking rest break (9)
3 Bargain too contrived needed cancellation (10)
4 To pass away first is impolite! (7)
5 Hide beneath dry tree, shivering (7)
6 Doctor against night light? (4)
7 Experiment uses up air in empty tunnel (5)
8 Laughs, not bothered by attack (9)
13 Colour of ruler picked up during map exercise (10)
14 School employee about to take vehicle round (9)
16 Client mad about people being cold? (9)
18 Finishes page with very good book summary (7)
19 Treat is arranged for performer (7)
21 Revive father from Renfrew (5)
23 Fibre is found in non-commercial salad (5)
24 Murderer takes some cocaine (4)

Solution 8,745



INTERNATIONAL CAPITAL MARKETS

Italian demand boosts EIB L1,000bn offer

By Antonia Sharpe

The European Investment Bank braved the uncertain waters of the eurolira sector yesterday when it raised L1,000bn through an offering of five-year floating-rate notes.

INTERNATIONAL BONDS

Credito Italiano, one of the four joint bookrunners, said the EIB had provided investors with a liquid and defensive benchmark deal at a time when trading in Italian government bonds was difficult. The Italian financial markets are still digesting the results of last weekend's regional and local elections.

BNL, another bookrunner, said interest from foreign investors was small because of Italy's uncertain political situation, which has led to a severe weakening in the lira. By contrast, domestic demand was strong due to the quality of EIB's name and tax exemptions attached to its bonds.

By the end of the day, the bookrunners had placed about half of their allotments. Local banks, insurance companies and money-market funds were the main buyers.

However, by appointing four leading Italian banks as bookrunners and having a syndicate which was nearly all Italian, the EIB had the country's entire retail bank network at its disposal.

This selling strategy was likely to result in a fairly quick placement of the remainder of the notes with Italian retail investors.

Although the deal was large, the nature of Italian investors suggested that there would be little secondary market trading in the notes.

The coupon on the notes was 30 basis points below three-month lira Libor, a fairly attractive margin when compared with outstanding EIB paper.

Syndicate managers noted that the margin on the EIB's existing FRNs due 1998 stood at between 35 and 40 basis points below lira Libor and that if swapped into floating-rate lire, its fixed-rate bonds due 1999 were yielding 60 basis points below lira Libor.

In the late afternoon, the new notes were quoted at full fees at around 99.87/90, which suggested a widening in the margin to about 26 basis points below lira Libor. However, syndicate managers expected the margin to tighten quickly as the notes found their way into firm hands.

Meanwhile, the flood of five-year D-Mark paper continued as more issuers hastened to take advantage of the arbitrage opportunities which persisted in this area of the yield curve. "It's the only game in town but it looks like it is over now," said one syndicate manager. Some syndicate managers believed that in excess of DM2.5bn worth of five-year paper was unsold.

Of yesterday's batch, Dresdner Bank's DM500m offering looked the most attractive. Once again spurning the fixed-price reoffer system because of the retail orientation of the deal, the bank priced its bonds to yield 30 basis points over the German government bond curve.

In the afternoon, they were quoted at 99.94, within fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Fuji Intl.Fin.(Australia)(a)	85	8.00	102.00	May.2005	2.00	-	Fuji International Finance
D-MARKS							
Crédit Local de France	500	6.50	100.09R	Jun.2000	0.25R	+22(7½-00)	ABN Amro/ Trinkaus
Dresdner Finance	500	6.50	101.85	May.2000	2.00	-	Dresdner Bank
Société Générale Acceptance	300	6.50	99.761R	May.2000	0.25R	+34(7½-00)	Soc. Gén./ WestLB
Generalitat Valenciana	250	7.00	99.30R	May.2002	0.30R	+18(8½-02)	DG Bank
SWISS FRANCS							
Caisse Nationale des Autoroutes	100	4.75	103.50	Jul.1999	1.75	-	UBS
ITALIAN LIRE							
European Investment Bank‡	1000bn	(b)‡	100.15	Jun.2000	0.30	-	BCI/BNL/Credito/San Paolo
LUXEMBOURG FRANCS							
Bayerische Landesbank	2bn	7.875	102.55	Jun.2005	2.00	-	BCEE/ BIL
Bremer LB Finance‡	2bn	7.25	102.40	Aug.1999	1.625	-	Crédit Euro./ Kredietbank
GECC‡	2bn	7.00	101.65	Aug.1999	1.625	-	BGL/ Banque Paribas Lux.
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.	100	10.00	100.625	Jun.2005	2.125	-	Hambros Bank
Treasury Corp. of Victoria‡	100	4.50#	69.245	May.1998	1.375	-	Nomura International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on 11/5/98 at par. b) 3-mth Libor -30bp. f) Long 1st coupon.

Mid-range under pressure ahead of US auction

By Lisa Bransten in New York and Graham Bowley in London

The edges of the maturity spectrum outperformed the centre yesterday as US Treasury bonds of mid-range maturities came under pressure from new supply due to be auctioned later in the afternoon.

GOVERNMENT BONDS

The 30-year bond drew some support from slack metal prices and a stronger dollar and by midday it was off 1/32 at 103 7/16 to yield 7.333.

The dollar climbed against both the Japanese yen and the D-Mark after members of the Group of Seven developed nations announced late on Tuesday that they had agreed to work together to stabilise foreign exchange markets. Near noon the US currency was trading at Y83.90 and DM1.3775 compared with Y81.93 and DM1.3708 late on Tuesday.

At the short end of the market, the two-year note was aided by rumours that the Federal Reserve was buying shorter term securities for another central bank, and that issue lost 1/32 at 99 [illegible] to yield 6.517.

Meanwhile, bonds maturing in five to 10 years all slipped nearly a quarter of a point with the yield on the 10-year note inching over the 7 per cent range. Traders attributed some of that weakness to a supply to be released on to the market later yesterday afternoon through an auction of $11.5bn in five-year notes.

Also weighing on the market yesterday were figures showing stronger-than-expected economic activity. The Commerce Department said yesterday that durable goods orders had increased 0.6 per cent in March, while the consensus estimate among economists had been for a 0.4 per cent decrease.

■ Comments by Mr Hans-Jurgen Krupp, a Bundesbank council member, indicating that Germany's inflation outlook has improved and that there may be a further cut in German interest rates, boosted German government bonds.

Both cash and futures markets surged in late trading, although the June bund futures contract failed to breach the key 93.00 resistance level and 10-year yields fell back to around 7.03 per cent after failing to reach 7 per cent.

The Bundesbank left the repo rate unchanged at 4.51 per cent.

■ Strong demand for the Bank of England's auction of £2bn five-year gilts pushed UK government bonds higher.

The auction was covered 2.17 times, well above market expectations, with a tail – the difference between the highest accepted yield and the average accepted yield – of zero, a top yield of 8.3 per cent and a lowest accepted price of 98 [illegible].

The Bank of England said that tap issues of 2½ per cent index-linked Treasury stock due 2009 and due 2020 had been exhausted and was no longer operating as a tranchette.

The long gilt future on Liffe rose 11/32 point to settle at 104 2/32.

■ French government bonds rose as bunds pushed higher and as the political risk following the first round of the presidential elections diminished.

The June notional futures contract on Matif rose 0.32 point to 113.34.

The yield spread over bunds was broadly flat at around 77 basis points. This compares with a spread of 85 basis points *before the election at the weekend.*

Swiss delay start-up of electronic bourse

By Conner Middelmann

The Swiss Exchange has postponed the planned start of its Swiss Electronic Bourse (EBS) from June until September.

"The board of directors has determined that the stability of the new system does not yet meet the high quality standards that have been set," the exchange said.

The June deadline had not allowed enough time to test the system and encourage exchange members to join the EBS, it said.

"The additional time will make it possible to achieve the required system stability and the willingness to become members that will ensure the transition to electronic trading goes smoothly," the exchange added.

The first simulation of a full trading day has been postponed from May 20 to June 24. As a result of the delay and holidays in July and August, the gradual shift to electronic trading from the current system of floor trading will begin in September, the exchange said.

Once electronic trading is *fully implemented, all bond,* stock and options transactions currently done on the Zurich, Geneva and Basle stock exchanges will be executed on the EBS.

● Deutsche Telekom, Germany's state-owned telecommunications group, has selected Dewe Rogerson, the UK investor relations agency, from a shortlist of five as its global communications adviser for its international flotation early next year.

Telekom plans to place some DM15bn of shares among international investors early next year, with a second offering of a *similar size expected* in 1998.

S Africa expands into three-year area with $50m facility

By Antonia Sharpe

South Africa made further inroads into the international capital markets yesterday when the state-owned Industrial Development Corporation of South Africa obtained a three-year $50m syndicated revolving credit facility.

Fuji Bank, which arranged the loan with Henry Ansbacher, said it was the first three-year syndication for a South African institution and followed a number of one-year bank facilities.

The longer maturity of IDC's loan reflects the growing confidence which international lenders have in South Africa since the end of apartheid.

The actual borrower is Findevco, a special-purpose financing subsidiary wholly owned and administered by the IDC.

Its function is to provide loan finance to industrial clients, with the focus on small to medium-sized companies. IDC, which was set up by an act of parliament in 1940 as a self-funding source of finance to industry, is the guarantor.

IDC will pay an annual margin of 75 basis points over the London interbank offered rate (Libor) when it draws on the facility. The commitment fee on the undrawn element of the loan is 37.5 basis points. Lead managers taking up $10m of the loan will earn a fee of 30 basis points, managers taking up between $7.5m and $9.9m will earn 25 basis points and co-managers taking up between $5m and $7.4m will earn 20 basis points.

There is a participation fee of 10 basis points for banks taking up $2.5m to $4.9m.

First contracts on Brady bonds planned by Finex

By Graham Bowley

Finex, the financial futures arm of the New York Cotton Exchange, is planning to launch the first futures and options contracts on Brady bonds.

The contracts will be based on a composite of Mexican, Argentinian, Brazilian and Venezuelan Brady bonds, paper issued by governments in exchange for distressed commercial bank debt.

It hopes to launch the contracts in late spring, subject to regulatory approval from the Commodities Futures Trading Commission, one of the bodies which oversees US financial markets.

The contract will be traded in New York and in Dublin, where Finex opened a new floor-traded exchange last year.

Mr Peter Burton, director of development at Finex, said, "We have seen the size and liquidity of the Brady cash market grow and the upheaval since December has focused people's attention on the risks involved in these markets.

"The new contracts will prove to be useful instruments for transferring risk."

Brady bond markets suffered extreme volatility following the devaluation of the Mexican peso in December, which caused a meltdown in most emerging bond markets.

Dealers in Brady bonds, who have been limited mainly to over-the-counter derivative products for hedging purposes during this year's turbulence, welcomed the innovation.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.0300	+0.120	9.82	9.77	9.95
Austria		7.500	01/05	101.1560	+0.256	7.32	7.38	7.55
Belgium		6.500	03/05	90.9500	+0.370	7.84	7.95	8.17
Canada *		9.000	12/04	102.9000	+0.050	8.55	8.69	8.59
Denmark		7.000	12/04	89.4000	+0.400	8.66	8.80	9.03
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	98.0500	+0.250	7.77	7.90	8.05
Germany Bund		7.375	01/05	102.1800	+0.190	7.05	7.11	7.29
Ireland		5.250	10/04	83.7000	+0.150	8.83	8.83	8.81
Italy		9.500	01/05	80.8300	+0.350	13.04†	13.17	13.22
Japan	No 119	4.800	06/99	108.9590	+0.217	2.56	2.58	3.47
	No 174	4.600	09/04	109.0800	+0.231	3.33	3.32	4.07
Netherlands		7.750	03/05	104.3000	-0.300	7.12	7.20	7.46
Portugal		11.875	02/05	97.7500	+0.100	12.26	12.22	11.93
Spain		10.000	02/05	88.0400	-	12.11	12.25	12.34
Sweden		6.000	02/05	69.3010	+0.495	11.35	11.52	11.26
UK Gilts		6.000	08/99	92-07	+8/32	8.20	8.26	8.42
		8.500	12/05	101-00	+10/32	8.35	8.43	8.50
		9.000	10/08	105-04	+10/32	8.36	8.42	8.51
US Treasury *		7.500	02/05	103-10	-3/32	7.02	7.06	7.14
		7.625	02/25	103-13	-	7.34	7.39	7.39
ECU (French Govt)		6.000	04/04	86.7100	+0.120	8.14	8.25	8.53

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	9
Broker loan rate	6½
Fed funds	6⅛
Fed funds at intervention	-

Treasury Bills and Bond Yields

One month	5.79	Two year	6.52
Two month	5.83	Three year	6.61
Three month	5.87	Five year	6.82
Six month	6.04	10-year	7.02
One year	6.21	30-year	7.34

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.10	113.34	+0.32	113.40	112.98	100,935	110,490
Sep	112.70	112.98	+0.28	112.78	112.62	1,251	8,090
Dec	112.44	112.62	+0.28	112.52	112.44	264	963

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
111	-	2.45	-	0.01	0.14	-
112	-	1.55	2.02	0.01	0.28	1.25
113	0.38	0.88	1.45	0.06	0.61	1.66
114	0.01	0.41	-	-	1.12	-
115	-	0.13	-	-	-	-

Est. vol. total. Calls 11,738 Puts 21,056. Previous day's open int., Calls 162,967 Puts 220,976.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.59	92.92	+0.31	93.01	92.59	145194	167615
Sep	92.09	92.34	+0.31	92.36	92.08	143	5273

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9250	0.74	0.65	0.82	0.96	0.32	0.81	0.98	1.12
9300	0.45	0.44	0.60	0.74	0.53	1.10	1.26	1.40
9350	0.26	0.29	0.43	0.55	0.84	1.45	1.59	1.71

Est. vol. total. Calls 26777 Puts 8814. Previous day's open int., Calls 153091 Puts 130075

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.47	94.08	+0.74	94.22	93.47	43291	46504
Sep	-	93.43	+0.74	-	-	0	141

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9400	0.96	1.93	0.90	2.50
9450	0.72	1.71	1.14	2.78
9500	0.52	1.52	1.44	3.09

Est. vol. total. Calls 2674 Puts 1410. Previous day's open int., Calls 45583 Puts 38231

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.70	82.67	+0.02	82.88	82.53	41,805	50,154
Sep	-	82.10	-	-	-	-	5

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-23	104-02	+0-11	104-09	103-19	69742	86230
Sep	103-24	103-22	+0-12	103-25	103-24	104	777

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
104	0-50	0-63	1-19	1-34	0-46	1-19	1-39	1-54
105	0-23	0-38	0-57	1-07	1-19	1-58	2-13	2-27
106	0-09	0-22	0-38	0-50	2-05	2-42	2-58	3-06

Est. vol. total. Calls 2142 Puts 5281. Previous day's open int., Calls 28418 Puts 38058

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.70	83.88	+0.20	83.88	83.68	2,674	9,146

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-14	105-10	-0-04	105-19	105-06	283,711	354,732
Sep	104-31	104-26	-0-05	105-03	104-24	1,559	20,648
Dec	104-15	104-12	-0-02	104-15	104-10	591	2,057

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	116.97	-	-	117.06	116.60	6117	0
Sep	116.09	-	-	116.16	115.73	2690	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 26	Day's change %	Tue Apr 25	Accrued interest	xd adj. ytd		Low coupon yield Apr 26	Apr 25	Yr. ago	Medium coupon yield Apr 26	Apr 25	Yr. ago	High coupon yield Apr 26	Apr 25	Yr. ago
1 Up to 5 years (23)	119.16	+0.08	119.08	1.14	4.27	5 yrs	8.26	8.30	7.56	8.33	8.37	7.74	8.47	8.50	7.86
2 5-15 years (21)	141.79	+0.25	141.43	2.11	4.13	15 yrs	8.29	8.33	7.77	8.37	8.41	7.90	8.58	8.62	8.18
3 Over 15 years (9)	158.88	+0.42	158.21	1.96	4.74	20 yrs	8.28	8.32	7.77	8.37	8.41	7.90	8.51	8.55	8.07
4 Irredeemables (6)	179.47	+0.32	178.90	-0.20	6.12	Irred.†	8.32	8.36	7.87						
5 All stocks (59)	138.12	+0.23	137.81	1.73	4.34										

Index-linked	Wed Apr 26	Day's change %	Tue Apr 25	Accrued interest	xd adj. ytd		Inflation 5% Apr 26	Apr 25	Yr. ago	Inflation 10% Apr 26	Apr 25	Yr. ago
6 Up to 5 years (2)	192.09	+0.09	191.92	0.34	2.57	Up to 5 yrs	3.33	3.37	3.40	1.63	1.66	2.48
7 Over 5 years (11)	178.63	+0.24	178.20	0.73	1.73	Over 5 yrs	3.78	3.80	3.46	3.58	3.60	3.27
8 All stocks (13)	179.11	+0.22	178.71	0.69	1.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20	Yr ago	High*	Low*
Govt. Secs. (UK)	92.16	92.02	92.07	92.41	92.11	96.34	92.41	90.22
Fixed interest	111.17	111.24	111.25	111.12	111.00	115.74	111.33	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 25	Apr 24	Apr 21	Apr 20	Apr 19
Gilt Edged bargains	80.5	74.6	80.0	80.2	88.6
5-day average	80.8	79.9	79.5	79.1	79.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	93½	93¾		7.61
African Dev Bk 7⅜ 23	500	91⅞	92⅛		8.12
Alberta Province 7⅝ 98	1000	101¾	102		7.03
Austria 8½ 00	400	105⅝	105¾	-⅛	7.11
[illegible]					
United Kingdom 7¼ 97	5500	103⅛	103½	+⅛	5.68
Volkswagen Intl Fin 7 03	1000	97½	98⅛		7.42
World Bank 0 15	2000	22⅜	22⅝	+⅛	7.52
World Bank 5⅞ 03	3000	91¾	91⅞	+⅛	7.19
World Bank 8⅞ 00	1250	110⅞	111½	-¼	6.15
[illegible]					
Abbey Natl Treasury 8 03 £	1000	94	94¼	+¼	9.09
Alliance Leics 11⅜ 97 £	100	105⅛	105¾	+⅛	8.38
British Land 8⅞ 23 £	150	89¾	90⅛	+⅝	10.21
Denmark 6¾ 98 £	800	95⅛	95⅜	+⅛	8.47
EIB 8 03 £	1000	95½	95¾	+¼	8.79
[illegible]					

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month for US dollars). C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

مكبرا من الاصل

Africa expands
three-year area
$50m facility

contracts on Brady
planned by Finex

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stages surprise rally on exchange markets

The dollar staged a surprise rally on the foreign exchanges yesterday despite the failure of the G7 meeting in Washington to deliver any tangible support package, *writes Philip Gawith.*

The US currency was the beneficiary of a combination of factors, including rumours about the death of Chinese leader Deng Xiaoping, and renewed speculation about the possibility of a fall in German interest rates.

Market sentiment in the run-up to the G7 meeting had also reached such an extreme of pessimism that some sort of rebound was not surprising. The dollar rallied by around three yen and two D-Marks before closing in London at Y84.125 and DM1.3811.

D-Mark weakness against the dollar spread to Europe with the German currency finishing lower against most crosses. Against the French franc it finished at FFr3.522 from FFr3.533. The Swedish krona also made up a lot of ground to close at SKr5.308 from SKr5.384.

The firmer dollar and expectations of rising UK interest rates helped sterling rally. Against the D-Mark it finished at DM2.2246, from DM2.2031, while it was barely changed against the dollar at $1.6108.

■ The prevailing wisdom about the dollar has two components. First, it will fall further. Second, it has already fallen so far that some people are starting to buy it. The two are not contradictory. All that is at issue is the timing.

In the words of Mr Carl Weinberg, of High Frequency Economics in New York, the G7 communique was "eight paragraphs that will not shake the world." It was sufficient, however, to prompt a short-term rally in the currency. And traders are now reporting two way trade in the dollar, which is more than could be said in recent weeks when there was precious little buying pressure.

"The currency has fallen to such low levels as to prompt some genuine buying interest," said Mr Robin Marshall, chief economist at Chase Manhattan in London.

On a short-term technical basis, the dollar also looks quite healthy, and analysts are predicting it could rally for a few days. The longer term fundamentals, however, remain unchanged, and it is for this reason that traders expect the dollar still to trade lower.

Market wisdom has it that after a move of this magnitude, some signal political or economic event is required to reverse the trend.

■ Short-dated UK money market rates continued to creep upwards, with 3 month money reaching 7 per cent, up from 6 15/16 per cent. Overnight money was slightly easier, though, with the Bank of England clearing a £700m shortage at established rates. It traded in the 4-6¾ per cent range.

A Reuters poll of 20 City economists found that 95 per cent believe Britain's interest rates will rise after the May 5 monthly monetary meeting.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "It will be difficult for the Bank of England not to raise rates unless they get some supportive data." Sterling has risen in the past few days, partly because of the perception of higher rates, and would be very vulnerable to any disappointment on this front.

The deciding factor could be the purchasing managers survey next Monday. A deterioration in the prices component would almost certainly seal a rate rise.

■ The Bundesbank's 1994 annual report drew a clear link between the state of government finances in various European countries and the strength of their currencies.

"Overall there is the impression that the Maastricht convergence criteria are increasingly serving as a guideline for the assessment of currencies," the report said.

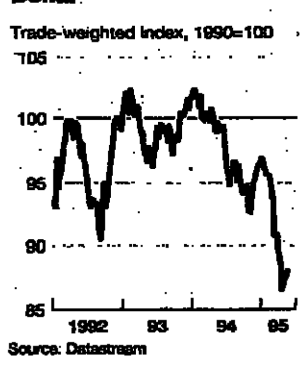
Noting that the weakness of the dollar had exacerbated these problems, the bank added: "In view of these developments the desired increase in cohesion among European currencies...evidently requires more forceful efforts by EU countries to improve economic and fiscal stability."

The report also said that the stronger D-Mark improved Germany's inflation outlook. Adding to this bullish inflation outlook were comments from Mr Hans-Juergen Krupp, a Bundesbank council member. He said further speculation about lower interest rates was legitimate as the current discount rate, of 4 per cent, was "not particularly low".

■ Pound in New York

Apr 26	—Latest—	— Prev. close —
£ spot	1.6105	1.6115
1 mth	1.6095	1.6108
3 mth	1.6078	1.6089
1 yr	1.5930	1.5948

Dollar



Source: Datastream

■ OTHER CURRENCIES

Apr 26	£	$
Hungary	190.281 - 190.513	118.150 - 118.250
Iran	2811.37 - 2818.38	1745.00 - 1750.00
Kuwait	0.4686 - 0.4704	0.2915 - 0.2920
Poland	3.7859 - 3.8054	2.3570 - 2.3620
Russia	8171.50 - 8178.89	5072.00 - 5075.00
UAE	5.9139 - 5.9169	3.6721 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Apr 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6528	+0.1517	454 - 602	15.7093	15.4798	15.6297	1.8	15.5824	1.8	-	-	108.2
Belgium	(BFr)	45.7750	+0.4276	495 - 004	45.8400	45.3820	45.715	1.6	45.61	1.4	45.07	1.5	110.8
Denmark	(DKr)	8.7386	+0.0571	329 - 442	8.7631	8.6812	8.7461	-1.0	8.7496	-0.5	8.718	0.2	110.8
Finland	(FM)	6.9828	+0.0253	575 - 681	6.9940	6.8280	-	-	-	-	-	-	87.9
France	(FFr)	7.8366	+0.0529	333 - 398	7.8825	7.7880	7.8502	-2.1	7.8693	-1.7	7.8393	0.0	109.8
Germany	(DM)	2.2246	+0.0215	236 - 256	2.2360	2.2048	2.2208	2.0	2.2124	2.2	2.1682	2.5	113.8
Greece	(Dr)	362.551	+2.936	395 - 707	364.519	358.878	-	-	-	-	-	-	68.1
Ireland	(I£)	0.9849	+0.0021	841 - 857	0.9858	0.9815	0.9845	0.5	0.9843	0.2	0.9846	0.0	97.2
Italy	(L)	2757.89	+36.21	597 - 981	2768.98	2726.40	2768.29	-4.5	2786.34	-4.4	2889.24	-4.0	64.0
Luxembourg	(LFr)	45.7750	+0.4276	495 - 004	45.8400	45.3820	45.735	1.0	45.635	1.2	45.1	1.5	110.8
Netherlands	(Fl)	2.4911	+0.0242	898 - 924	2.5002	2.4684	2.4867	2.1	2.4777	2.1	2.4313	2.4	110.6
Norway	(NKr)	10.0160	+0.0777	101 - 218	10.0548	9.9333	10.0073	1.0	9.9837	1.3	9.8584	1.6	99.3
Portugal	(Es)	236.121	+1.76	972 - 269	236.192	233.541	234.258	4.4	237.426	-3.9	-	-	96.6
Spain	(Pta)	198.996	+1.693	881 - 116	199.750	197.671	199.438	-2.7	200.296	-2.6	204.468	-2.7	79.7
Sweden	(SKr)	11.8183	-0.0448	079 - 287	11.9424	11.7526	11.8207	-0.2	11.8251	-0.2	11.8443	-0.2	76.8
Switzerland	(SFr)	1.8374	+0.0175	365 - 383	1.8419	1.8186	1.8333	2.7	1.8238	3.0	1.7735	3.5	114.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2124	+0.0105	118 - 132	1.2143	1.2043	1.2122	0.2	1.2125	0.0	1.2054	0.6	-
SDR†	-	1.01641	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6109	-0.0092	105 - 113	1.6227	1.6065	-	-	-	-	-	-	-
Brazil	(R$)	1.4783	-0.0094	752 - 774	1.4846	1.4699	-	-	-	-	-	-	-
Canada	(C$)	2.1950	-0.0085	941 - 959	2.2136	2.1897	2.1984	-1.9	2.2026	-1.4	2.2036	-0.4	82.9
Mexico	(New Peso)	9.4474	-0.0023	053 - 894	9.4900	9.4047	-	-	-	-	-	-	-
USA	($)	1.6108	-0.0032	105 - 111	1.6225	1.6062	1.6101	0.5	1.6079	0.7	1.5938	1.1	88.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2122	-0.0065	110 - 134	2.2321	2.1961	2.2149	-1.4	2.2193	-1.3	2.2265	-1.1	78.4
Hong Kong	(HK$)	12.4567	-0.0296	535 - 598	12.5533	12.4248	12.4527	0.4	12.4433	0.4	12.3764	0.6	-
India	(Rs)	50.5389	-0.0988	214 - 563	50.8860	50.4030	-	-	-	-	-	-	-
Israel	(Shk)	4.7735	+0.0101	685 - 784	4.7873	4.7577	-	-	-	-	-	-	-
Japan	(Y)	135.509	+3.754	443 - 574	136.180	131.520	134.984	4.8	133.844	4.9	126.069	5.5	170.2
Malaysia	(M$)	3.9747	+0.0173	731 - 762	3.9940	3.9633	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4114	+0.0198	091 - 136	2.4211	2.3859	2.4187	-2.7	2.4258	-2.4	2.44	-1.2	97.8
Philippines	(Peso)	41.8800	-0.1825	120 - 487	42.0518	41.7028	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0414	-0.0119	400 - 428	6.0850	6.0244	-	-	-	-	-	-	-
Singapore	(S$)	2.2484	+0.0034	471 - 496	2.2561	2.2426	-	-	-	-	-	-	-
South Africa	(R)	5.8315	+0.0023	292 - 338	5.8588	5.8167	-	-	-	-	-	-	-
South Korea	(Won)	1226.22	-4.17	591 - 853	1236.83	1222.80	-	-	-	-	-	-	-
Taiwan	(T$)	40.9184	-0.0808	051 - 316	41.2083	40.8071	-	-	-	-	-	-	-
Thailand	(Bt)	39.5613	+0.0195	378 - 847	39.7510	39.4510	-	-	-	-	-	-	-

† Rates for Apr 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.7174	+0.1129	146 - 202	9.7545	9.5900	9.7054	1.5	9.6854	1.3	9.5909	1.3	108.0
Belgium	(BFr)	28.4175	+0.3205	070 - 280	28.5200	28.0750	28.392	1.1	28.3625	0.8	28.2575	0.6	110.3
Denmark	(DKr)	5.4250	+0.046	225 - 275	5.4420	5.3678	5.4295	-1.0	5.4345	-0.7	5.4535	-0.5	109.6
Finland	(FM)	4.2605	+0.024	580 - 630	4.2631	4.2292	4.2608	-0.1	4.2613	-0.1	4.264	-0.1	86.4
France	(FFr)	4.8650	+0.0452	640 - 660	4.8925	4.8210	4.8736	-2.1	4.885	-1.6	4.8925	-0.6	109.2
Germany	(DM)	1.3811	+0.0161	807 - 814	1.3875	1.3615	1.3793	1.6	1.3757	1.6	1.3601	1.5	113.1
Greece	(Dr)	225.075	+2.26	020 - 130	226.550	222.130	227.005	-10.3	230.86	-10.3	245.83	-9.7	68.0
Ireland	(I£)	1.6355	-0.0065	345 - 365	1.6456	1.6302	1.6363	-0.5	1.638	-0.6	1.6501	-0.9	-
Italy	(L)	1712.13	+25.78	125 - 300	1722.25	1686.50	1719.08	-4.9	1731.63	-4.6	1795.63	-4.9	63.8
Luxembourg	(LFr)	28.4175	+0.3205	070 - 280	28.5200	28.0750	28.392	1.1	28.3625	0.8	28.2575	0.6	110.3
Netherlands	(Fl)	1.5465	+0.018	460 - 470	1.5530	1.5264	1.5444	1.6	1.5406	1.5	1.5245	1.4	110.1
Norway	(NKr)	6.2180	+0.0502	155 - 205	6.2475	6.1361	6.215	0.6	6.2067	0.7	6.1805	0.6	98.3
Portugal	(Es)	145.905	+1.375	900 - 000	146.780	144.240	146.465	-4.1	147.61	-4.6	152.905	-4.8	96.8
Spain	(Pta)	123.540	+1.29	490 - 590	124.350	122.250	123.86	-3.1	124.54	-3.2	128.185	-3.8	79.2
Sweden	(SKr)	7.3369	-0.0135	318 - 420	7.3958	7.2844	7.3541	-2.8	7.3889	-2.8	7.5789	-3.3	75.3
Switzerland	(SFr)	1.1407	+0.0131	400 - 410	1.1463	1.1240	1.1381	2.8	1.1333	2.6	1.1112	2.6	113.6
UK	(£)	1.6108	-0.0032	105 - 111	1.6225	1.6062	1.6101	0.5	1.6079	0.7	1.5938	1.1	83.5
Ecu	-	1.3286	-0.0143	280 - 292	1.3405	1.3232	1.3283	0.2	1.328	0.2	1.3265	0.2	-
SDR†	-	0.63092	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.9165	-0.004	160 - 170	0.9170	0.9140	-	-	-	-	-	-	-
Canada	(C$)	1.3627	-0.0026	624 - 630	1.3647	1.3610	1.3651	-2.1	1.3686	-1.7	1.3798	-1.3	81.1
Mexico	(New Peso)	5.8650	+0.01	400 - 900	5.8850	5.8200	5.8873	-0.5	5.8704	-0.4	5.8753	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	88.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3732	-0.0014	729 - 738	1.3763	1.3640	1.3746	-1.4	1.3767	-1.5	1.3999	-1.9	78.7
Hong Kong	(HK$)	7.7332	-0.0033	327 - 337	7.7375	7.7325	7.7314	0.3	7.7309	0.1	7.7487	-0.2	-
India	(Rs)	31.3750	-	700 - 800	31.3820	31.3700	31.455	-3.1	31.7	-4.1	-	-	-
Israel	(Shk)	2.9634	+0.012	609 - 659	2.9680	2.9479	-	-	-	-	-	-	-
Japan	(Y)	84.1250	+2.48	000 - 500	84.5000	81.2200	83.775	5.0	83.145	4.7	80.11	4.8	174.6
Malaysia	(M$)	2.4675	+0.0155	670 - 680	2.4695	2.4530	2.4655	1.0	2.463	0.7	2.4575	0.4	-
New Zealand	(NZ$)	1.4970	+0.0153	958 - 981	1.5023	1.4901	1.5004	-2.7	1.5072	-2.7	1.5265	-2.0	-
Philippines	(Peso)	26.0000	-0.05	000 - 000	26.1000	25.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7503	3.7515	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.3958	+0.0048	953 - 963	1.3985	1.3910	1.3905	4.5	1.3823	3.9	1.3558	2.9	-
South Africa	(R)	3.6203	+0.0085	195 - 210	3.6285	3.6055	3.6383	-6.0	3.6756	-6.1	3.8695	-6.9	-
South Korea	(Won)	761.250	-1.1	200 - 300	762.200	761.100	764.25	-4.7	767.75	-3.4	786.25	-3.3	-
Taiwan	(T$)	25.4025	-0.0005	990 - 060	25.4075	25.3870	25.4225	-0.9	25.4625	-0.9	-	-	-
Thailand	(Bt)	24.5600	+0.06	500 - 700	24.5800	24.5000	24.581	-1.0	24.6075	-0.8	24.695	-0.5	-

† SDR rate per $ for Apr 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 25. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 26	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5⅝	5⅝	5¾	5⅝	5¾	7.40	4.00	-
week ago	4⅞	5⅝	5¾	5¾	5⅞	7.40	4.00	-
France	7⅝	8	7⅞	7½	7¼	5.00	-	8.00
week ago	7⅞	8	8¼	7¾	7¼	5.00	-	8.00
Germany	4½	4½	4½	4⅝	4⅞	6.00	4.00	4.51
week ago	4½	4½	4⅝	4½	4⅝	6.00	4.00	4.51
Ireland	5⅞	6⅜	6⅞	7¼	7⅝	-	-	6.25
week ago	6	6⅝	6¾	6⅞	7¼	-	-	6.25
Italy	10⅝	10½	10¾	11¼	11½	-	7.50	10.56
week ago	10⅛	10½	10⅞	11⅛	11½	-	7.50	10.48
Netherlands	4⅛	4¼	4¼	4⅜	4⅝	-	5.25	-
week ago	4⅜	4⅛	4⅜	4⅜	4⅝	-	5.25	-
Switzerland	3¼	3¼	3½	3½	3⅝	6.625	3.00	-
week ago	4⅛	3⅞	3⅞	3⅞	3⅝	6.625	3.00	-
US	5⅞	6	6⅛	6⅝	6¾	-	5.25	-
week ago	6	6	6¼	6⅝	6½	-	5.25	-
Japan	2¼	1⅝	1⅝	1⅝	1¼	-	1.00	-
week ago	2¼	1⅝	1⅝	1⅝	1½	-	1.00	-
■ $ LIBOR FT London								
Interbank Fixing	-	6¼	6⅜	6⅜	6½	-	-	-
week ago	-	6¼	6¼	6⅝	6⅝	-	-	-
US Dollar CDs	-	5.86	5.98	6.11	6.34	-	-	-
week ago	-	5.86	5.99	6.13	6.38	-	-	-
SDR Linked Ds	-	4¼	4½	4⅞	4 13/16	-	-	-
week ago	-	4¼	5	5¼	5¼	-	-	-

ECU Linked Ds mid rates: 1 mth: 6¼; 3 mths: 6⅜; 6 mths: 6⅝; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 11/16 - 5 9/16	6 - 5⅞
Danish Krone	7⅛ - 6⅝	7 - 6⅝	7 - 6¾	7 1/16 - 6 13/16	7⅛ - 6⅞	7 3/16 - 6 15/16
D-Mark	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾
Dutch Guilder	4½ - 4⅜	4½ - 4⅜	4½ - 4⅜	4 9/16 - 4 7/16	4 11/16 - 4 9/16	4 15/16 - 4 13/16
French Franc	7⅞ - 7⅝	8 3/16 - 7 15/16	8⅛ - 7⅞	8 1/16 - 7 13/16	7 11/16 - 7 9/16	7 5/16 - 7 3/16
Portuguese Esc.	9¼ - 9⅛	9⅜ - 9⅛	10⅛ - 9⅞	10 13/16 - 10⅛	11 3/16 - 10½	11⅝ - 11⅛
Spanish Peseta	8 5/16 - 8 1/16	8 11/16 - 8 7/16	8 13/16 - 8 11/16	9¼ - 9⅛	9¾ - 9⅝	10⅜ - 10¼
Sterling	5⅞ - 5⅝	5⅞ - 5¾	6 3/16 - 6 1/16	7 - 6⅞	7 3/16 - 7 1/16	7 13/16 - 7 9/16
Swiss Franc	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3 9/16 - 3 7/16	3¾ - 3⅝
Can. Dollar	8 1/16 - 7⅞	8 - 7 13/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7⅞ - 7¾	7 13/16 - 7 11/16
US Dollar	6 - 5⅞	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 6 1/16	6 5/16 - 6 3/16	6½ - 6⅜
Italian Lira	10¼ - 9⅞	10½ - 10⅜	10⅝ - 10⅜	10⅞ - 10¾	11 3/16 - 11⅛	11 11/16 - 11 9/16
Yen	1⅞ - 1 5/16	1 7/16 - 1⅜	1 7/16 - 1⅜	1 7/16 - 1⅜	1 13/16 - 1 11/16	1 13/16 - 1 11/16
Asian $Sing	½ - ¼	¾ - ⅝	1½ - 1⅜	2 - 1⅞	2⅜ - 2¼	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.64	92.73	+0.08	92.83	92.64	20,309	39,706
Sep	93.43	93.47	+0.07	93.58	93.43	4,532	35,304
Dec	93.50	93.53	+0.05	93.57	93.49	2,844	22,946
Mar	93.40	93.41	+0.03	93.45	93.40	866	13,600

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	93.72	-	-	-	0	565
Sep	-	93.60	-0.01	-	-	0	349
Dec	-	93.40	-0.01	-	-	0	256
Mar	-	93.40	-0.02	-	-	0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.39	95.41	+0.03	95.42	95.38	20089	149040
Sep	95.24	95.29	+0.05	95.30	95.24	27928	158802
Dec	94.95	95.01	+0.07	95.02	94.95	26329	118341
Mar	94.68	94.75	+0.08	94.75	94.67	8461	71250

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.90	88.92	+0.12	88.93	88.80	9711	34799
Sep	88.75	88.78	+0.09	88.78	88.71	2707	23944
Dec	88.66	88.69	+0.07	88.69	88.64	832	14292
Mar	88.60	88.61	+0.04	88.63	88.57	597	8473

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.46	96.47	+0.03	96.48	96.45	3450	23063
Sep	96.35	96.37	+0.05	96.38	96.33	1656	10012
Dec	96.15	96.19	+0.05	96.21	96.14	1500	6128
Mar	96.00	96.00	+0.05	96.00	96.00	53	1611

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.57	93.60	+0.04	93.63	93.56	1846	8710
Sep	93.48	93.51	+0.04	93.54	93.46	620	4995
Dec	93.27	93.29	+0.04	93.29	93.27	235	2545
Mar	93.07	93.06	+0.02	93.07	93.07	3	1388

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	17.12	4.860	2.152	6024	5.441	21.89	513.5	434.7	25.80	4.013	2.184	4.795	3.519	296.0	2.647
Denmark	(DKr)	52.39	10	8.968	2.546	1.127	3156	2.850	11.47	269.0	227.7	13.51	2.102	1.144	2.512	1.843	155.1	1.387
France	(FFr)	58.42	11.15	10	2.839	1.257	3519	3.179	12.79	300.0	253.9	15.07	2.344	1.276	2.801	2.056	172.9	1.547
Germany	(DM)	20.58	3.928	3.522	1	0.443	1240	1.120	4.503	105.7	89.44	5.306	0.826	0.449	0.987	0.724	60.90	0.545
Ireland	(I£)	46.48	8.872	7.958	2.259	1	2800	2.529	10.17	238.7	202.0	11.99	1.865	1.015	2.228	1.636	137.6	1.230
Italy	(L)	1.660	0.317	0.284	0.081	0.036	100.	0.090	0.363	8.524	7.215	0.428	0.067	0.036	0.080	0.058	4.913	0.044
Netherlands	(Fl)	18.38	3.508	3.146	0.893	0.395	1107	1	4.022	94.38	79.89	4.741	0.737	0.401	0.881	0.647	54.40	0.487
Norway	(NKr)	45.69	8.722	7.821	2.221	0.983	2752	2.486	10	234.8	198.6	11.79	1.833	0.998	2.191	1.608	135.2	1.210
Portugal	(Es)	19.47	3.717	3.333	0.946	0.419	1173	1.060	4.262	100.	84.64	5.023	0.781	0.425	0.934	0.685	57.64	0.516
Spain	(Pta)	23.01	4.391	3.938	1.118	0.495	1386	1.252	5.035	118.1	100.	5.935	0.923	0.503	1.103	0.810	68.09	0.609
Sweden	(SKr)	38.76	7.400	6.636	1.884	0.834	2335	2.109	8.484	199.1	168.5	10	1.555	0.847	1.859	1.364	114.7	1.026
Switzerland	(SFr)	24.92	4.757	4.266	1.211	0.536	1501	1.356	5.455	128.0	108.3	6.429	1	0.544	1.195	0.877	73.76	0.660
UK	(£)	45.78	8.739	7.837	2.225	0.985	2758	2.491	10.02	235.1	199.0	11.81	1.837	1	2.195	1.611	135.5	1.212
Canada	(C$)	20.86	3.981	3.570	1.014	0.449	1256	1.135	4.565	107.1	90.66	5.380	0.837	0.456	1	0.734	61.73	0.552
US	($)	28.42	5.425	4.865	1.381	0.611	1712	1.546	6.220	145.9	123.5	7.331	1.140	0.621	1.363	1	84.11	0.752
Japan	(Y)	33.79	6.449	5.784	1.642	0.727	2035	1.838	7.395	173.5	146.9	8.716	1.356	0.738	1.620	1.189	100.	0.894
Ecu		37.77	7.210	6.466	1.835	0.813	2276	2.055	8.267	194.0	164.2	9.744	1.516	0.825	1.811	1.329	111.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7320	0.7283	-0.0039	0.7359	0.7230	33,597	62,007
Sep	0.7302	0.7310	-0.0040	0.7322	0.7265	686	3,527
Dec	-	0.7340	-	-	0.7298	88	638

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2320	1.2027	-0.0288	1.2384	1.2013	25,532	59,599
Sep	1.2175	1.2180	-0.0267	1.2242	1.2160	1,039	3,265
Dec	1.2330	1.2370	-0.0223	1.2400	1.2330	37	783

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8885	0.8835	-0.0040	0.8940	0.8772	29,314	27,749
Sep	0.8850	0.8900	-0.0045	0.8906	0.8840	238	2,274
Dec	-	0.8955	-	-	0.8905	24	524

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6100	1.6132	+0.0010	1.6220	1.6050	6,476	23,067
Sep	1.6060	1.6120	-	1.6120	1.6050	42	250
Dec	-	1.6080	-	1.6080	1.6010	1	62

EMS EUROPEAN CURRENCY UNIT RATES

Apr 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07413	+0.00285	-3.62	7.37	-
Belgium	39.3960	38.1109	+0.0493	-3.26	6.97	24
Germany	1.91007	1.85176	+0.00231	-3.05	6.74	-
Austria	13.4383	13.0287	+0.0155	-3.04	6.73	-
Denmark	7.28580	7.26942	-0.01199	-0.22	3.71	2
Portugal	195.792	195.913	+0.208	0.06	3.41	0
France	6.40608	6.52239	-0.00855	1.82	1.63	-15
Spain	162.493	165.831	+0.348	2.05	1.39	-14
Ireland	0.792214	0.819760	-0.003189	3.48	0.00	-23
NON ERM MEMBERS						
Greece	292.867	301.835	+0.103	3.06	0.40	-
Italy	2106.15	2293.87	+7.84	8.91	-4.99	-
UK	0.786652	0.832556	-0.005217	5.84	-2.23	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.525	8.62	8.83	9.09	-	0.33	0.68
1.550	6.27	6.78	7.19	0.07	0.70	1.19
1.575	4.06	4.94	5.46	0.35	1.31	1.93
1.600	2.29	3.38	3.98	1.02	2.23	2.86
1.625	1.05	2.21	2.79	2.28	3.44	4.14
1.650	0.39	1.35	1.92	4.06	5.05	5.69

Previous day's vol., Calls 7,910 Puts 7,649 . Prev. day's open int., Calls 249,216 Puts 301,478

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.73	93.72	-0.01	93.74	93.71	42,798	484,101
Sep	93.63	93.60	-0.03	93.64	93.58	84,603	365,803
Dec	93.42	93.40	-0.03	93.46	93.38	84,412	269,737

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.30	94.28	-0.01	94.30	94.27	790	13,594
Sep	94.16	94.12	-0.02	94.16	94.12	1,183	12,373
Dec	93.99	93.95	-0.04	93.99	93.95	491	11,222

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9525	0.18	0.20	0.18	0.22	0.02	0.04	0.14	0.18
9550	0.03	0.05	0.07	0.10	0.12	0.14	0.28	0.31
9575	0.01	0.01	0.02	0.04	0.35	0.35	0.48	0.50

Est. vol. total, Calls 5136 Puts 3304. Previous day's open int., Calls 181819 Puts 250671

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9625	0.25	0.27	0.25	0.03	0.15	0.31
9650	0.08	0.12	0.16	0.11	0.25	0.47
9675	0.02	0.05	0.09	0.30	0.43	0.65

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1035 Puts 1035

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.74	92.76	+0.01	92.80	92.73	25447	85525
Sep	92.30	92.33	+0.01	92.39	92.29	24642	81274
Dec	92.02	92.06	+0.02	92.11	92.02	11166	58985
Mar	91.80	91.82	+0.03	91.85	91.78	4441	35179

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9275	0.14	0.13	0.15	0.13	0.55	0.84
9300	0.04	0.07	0.08	0.28	0.74	1.02
9325	0.01	0.03	0.04	0.50	0.95	1.23

Est. vol. total, Calls 13883 Puts 15702. Previous day's open int., Calls 180798 Puts 164302

LONDON MONEY RATES

Apr 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 4	6⅛ - 5⅞	6½ - 6¼	7 1/16 - 6 15/16	7¼ - 7	7 11/16 - 7 9/16
Sterling CDs	-	-	6 5/16 - 6¼	6 15/16 - 6 13/16	7 - 6 15/16	7½ - 7⅜
Treasury Bills	-	-	6⅜ - 6	6½ - 6⅜	-	-
Bank Bills	-	-	6¼ - 6⅛	6⅝ - 6½	6 15/16 - 6 13/16	-
Local authority deps.	6 3/16 - 5 15/16	6⅛ - 6	6⅜ - 6¼	6⅞ - 6¾	7 5/16 - 7 3/16	7⅝ - 7½
Discount Market deps	7 - 5¾	6 - 5 13/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2810pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 23, 1995, Schemes II & III 7.98pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	1995 low	Mkt CapÂ£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf.		50½		98	50¼	8.31	19.8	-
9¼pc Non-Cum Prf		4¼		118½	3	1.90	-	-
Cater Allen		480	+4	480	418	168.6	7.4	9.9
Close Bros		281		282	219	248.5	3.8	11.8
Gerrard & Nat		431	+4	490	395	208.9	7.0	12.4
Hambros		205	+1	253	195	382.0	9.1	12.6
7½pc Cv Pf		98		112	94	128.2	9.6	-
Joseph (L)		363		408	363	19.2	8.1	10.6
King & Shaxson		88		103	85	15.8	12.8	8.7
Kleinwort Benson		638xd	+1	663	529	853.0	4.2	11.4
Rea Bros		53xd		67	53	22.0	2.4	19.5
Schroders		1645xd	-6	1669	1360	1,846	1.6	15.8
N/V		1453xd		1495	1235	421.4	1.8	13.8
Singer & Fried		81½xd		86½	81	168.4	5.4	Φ
Union		84xd		93	70	22.3	4.5	Φ
Warburg (SG)		749	+2	784	655	1,856	3.7	13.7
Wintrust		203	-2	236	200	17.3	6.5	13.6

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	1995 low	Mkt CapÂ£m	Yld Gr's	P/E
ABN Amro Fl		£23⅛	-⅛	£24⅞	£21⅛	7,159	5.4	Φ
ANZ A$		221		233	198	3,088	5.1	8.1
Abbey National		472xd	-3	492	413	6,197	4.7	9.6
Allied Irish £		280xd	+3	285	250	1,933	4.8	8.4
Anglo Irish I£		52	-1	58	48	176.9	6.5	10.5
Asahi Y		760	-6½	791¼	632¼	17,648	0.7	-
Banco Bil Viz Pta		£16⅞	+⅛	£17⅞	£14⅜	3,880	4.9	7.5
Banco Sant Pta		£22½		£24⅝	£22⅛	3,400	5.8	Φ
Bk Ireland I£		338	+4	339	286	1,687	4.3	9.8
Bank Scotland		228	+1	230	191½	2,576	3.4	9.8
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,124	2.4	ϕ
Barlow	♣	£6⅜	+⅛	£6⅜	£4⅞	1,246	1.5	23.2
Gold Flds Prop R		144xd	—	162	118	14.7	7.1	ϕ
NK Props		90	—	95	85	3.82	12.8	−
SASOL	♥	586	+20	589	435	3,392	2.3	−
SA Brews	†	£16⅞	—	£17⅛	£12⅞	4,749	1.7	27.4
Tiger Oats		863	+1	875	700	1,286	1.7	21.1
Tongaat-Hulett	†h	743	—	762	636	677.2	1.8	22.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ϕ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Pembroke Hall, Pembroke, Bermuda

GUERNSEY (SIB RECOGNISED)

Serasin Funds Mngmt (Guernsey) Ltd

PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 236, St Peter Port, Guernsey 01481 710661

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bankmann Global Investment Fund Ltd

Bellwest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

New 1995 peaks as currencies help sentiment

By Terry Byland, UK Stock Market Editor

Base rate worries were temporarily sidelined yesterday, as the pound benefited from an unexpectedly firm performance by the US dollar in the wake of the meeting of G7 ministers. The FT-SE 100-share Index, and the broader ranging FT-SE Mid 250 and FT-SE-A 350 indices, all closed at new 1995 peaks, encouraged also by a favourable response to the day's auction of £2bn in government securities.

But UK strategists remained convinced that domestic base rates will be raised soon, perhaps by half a point, when the chancellor of the exchequer and the governor of the Bank of England meet next week.

The FT-SE 100 Index finished 11.3 up at its new 1995 high of 3,226.2, having touched 3,231.3 earlier in a somewhat erratic session. The first half-hour of dealing saw the Footsie index sink to within five points of 3,200 as the market shied away ahead of the gilt-edged auction. But currency markets stood up well to the announcement overnight from Washington that the G7 ministers had not proposed any immediate intervention or interest rate moves to help the dollar.

A firm pound was soon joined by a strong UK bond market as the auction of government securities proved successful. Equities reversed their losses and, taking their lead from stock index futures, moved ahead sharply. The upswing saw a 10-point fall on the Footsie turned into a gain of nearly 16 points well before midsession.

At least one buy programme from a leading UK house was identified and some traders believed that other similar moves were in the pipeline. Speculation that a major takeover bid was overhanging the market also helped sentiment.

VSEL, the submarine manufacturer, declared a special dividend payment and the market anticipated an early monopoly ruling on the takeover bids for the company by GEC and British Aerospace.

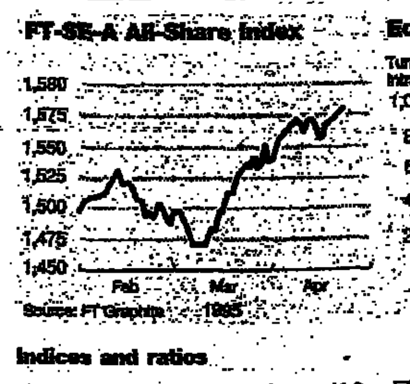
Share gains held up well until the gilt-edged market turned back and Wall Street opened lower following publication of strong durable goods orders in the US, which revived fears that interest rates could soon be forced higher. Profit-taking, some from across the Atlantic, took the top off the blue chip stocks but the broader markets held firm.

The FT-SE Mid 250 Index, which extends the Footsie list into a range of industrial and capital goods companies, added 6.1 at a 1995 peak of 3,517, while the FT-SE-A 350 Index gained 5 for a 1995 high of 1,600.8.

Trading volume in equities was good, with nearly 673m shares dealt through the Seaq network, compared with 771m on Tuesday. Non-Footsie stocks provided about 55 per cent of the total. However, retail, or customer, business in equities was worth £1.58bn, a shade under recent daily figures.

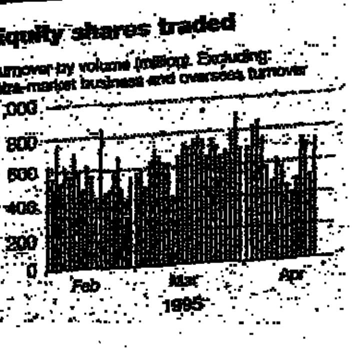
The stock market is expected to focus on domestic factors for the rest of the week, with the big investment institutions likely to become increasingly nervous of a rise in domestic base rates. Rate worries will also imply further concern over the outlook for the US dollar and for sterling. Some traders believed that underlying bid speculation had sustained the stock market yesterday.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3226.2	+11.3
FT-SE Mid 250	3517.6	+6.1
FT-SE-A 350	1600.8	+5.0
FT-SE-A All-Share	1580.39	+4.91
FT-SE-A All-Share yield	4.05	(4.07)
FT Ordinary index	2449.7	+11.3
FT-SE-A Non Fins p/e	17.37	(17.32)
FT-SE 100 Fut Jun	3232.0	+7.0
10 yr Gilt yield	8.34	(8.40)
Long gilt/equity yld ratio:	2.10	(2.10)

Best performing sectors

1 Transport ... +1.3
2 Retailers, General ... +1.2
3 Retailers, Food ... +1.1
4 Electronic & Elect Eq ... +0.9
5 Services ... +0.8

Worst performing sectors

1 Gas Distribution ... -1.0
2 Property ... -0.3
3 Building Matls & Merch ... -0.3
4 Diversified Industrial ... -0.2
5 Pharmaceuticals ... -0.1

Buyers see Arjo move

Paper group Arjo Wiggins Appleton topped the list of strong Footsie performers. The shares notched up a gain of more than 3 per cent as what one dealer described as "some squeezy buying" combined with bid speculation.

The sector has been crackling with takeover fervour since Smurfit filed a bid document for Papeteries du Limousin, and International Paper made a hostile move on Holvis, of Switzerland.

Paper companies prefer to grow by acquisition and Arjo is a classic target, as St Louis, of France, has a 40 per cent stake, which has long been considered up for grabs.

The French stakeholder has said it has no intention of offloading its shares and some analysts believe a merger might be more likely. But nothing has deterred the market and Arjo's shares have surged more than 20 per cent since the middle of February. They rose 8 to 268p yesterday.

VSEL alert

The VSEL bid situation sprang to life, with the group paying a bumper dividend and speculation mounting that British Aerospace could eventually emerge as the winner in any bid battle for the submarine maker.

Both companies' shares advanced to new highs for the year, BAe jumping 14 to 534p in 2.8m turnover and VSEL adding 20 at 1675p. Electronics giant GEC, which like BAe is bidding for VSEL, put on 4 at 303p.

A monopolies ruling on the two takeover offers is due shortly, possibly early next week according to market talk. In the meantime, VSEL has increased its dividend from 34p to 42p. The payout, up to 5p more than the stock market expected, was seen by analysts as a move by VSEL to bolster its share price ahead of any formal offers.

BAe has an all-share offer on the table worth 1780p per share and substantial tax losses in hand to cushion the cost of the deal. Market betting was that GEC's cash bid of 1400p was looking increasingly isolated.

Zeneca falls

Pharmaceuticals group Zeneca fell 7 to 912p on continuing speculation that it might move in with a bid at around 225p a share for Fisons.

Few traders were prepared to take the rumour seriously. Most saw it as an old spin being used to revive interest in the possible link between Fisons and Medeva. The latter, which is believed to be looking for a bid of above 300p per share, shed 7 to 244p, while Fisons added a penny at 185p.

Healthcare group Bespak plummeted 50 to 253p after the company, which manufactures aerosol components, warned that current year profits would be lower than the previous year's. Analysts were cutting forecasts for the year ending April 1995 by about £1.2m to around £5.75m.

British Gas attracted persistent flurries of selling pressure, closing a net 3 lower at 300½p after good turnover of 8.3m, as the market began to take fright at comments attributed to Ms Clare Spottiswoode, the Ofgas regulator.

She was said to have threatened to link the deterioration in the quality of service to a review of domestic prices.

Energy sector specialists said the market had taken the news badly. "If Gas offers lower standards it can only charge lower prices; this is bad news and will affect the share price," one added.

There was renewed interest in the market for TSB, whose shares moved up 2 more to 250p on 5.6m traded amid persistent talk that the group will move soon to acquire a building society. Abbey National slipped 3 more to 472p, with the market increasingly concerned about the cost and also the chances of the bank gaining control of the National & Provincial Building Society.

Bank of Scotland's preliminary numbers were deemed satisfactory and the shares edged up to 220p in some aggressive two-way trading.

Inchcape continued to recover, rising 7 to 334p for a three-day advance of close on 7 per cent. The shares, which stood at 430p earlier this year prior to two profits warnings, have been subject to broker buy notes plus vague if persistent takeover talk.

BAT Industries moved ahead in early trading on continued positive sentiment after comments made at Monday's annual general meeting. The shares ran into profit-taking later, on a rumour that BZW, the house broker, had turned seller, and closed only 3½ up at 470p. But BZW stressed that it retained its buy stance.

Conglomerate Hanson slipped 3½ to 237¼p, with some talk that it was considering putting down its marker with investor Kirk Kerkorian, who has made a $22.8bn (£14bn) approach to Chrysler, the US vehicle maker.

Chemicals leader ICI rose 10 to 758p ahead of first-quarter figures due today. Analysts expect a strong boost from ethylene prices and the rising D-Mark, and although the current range of forecasts is between £175m and £180m, against £93m last time, many believe profits could be much higher. Smith New Court has pencilled in £195m and quietly feels the figure could top £200m.

Gases group BOC improved 4 to 739p as UBS pointed out the 13 per cent sales growth and improved margins achieved by BOC's rivals Air Products and Praxair.

Shell continued to outperform BP, with the former adding 9 at 743p on heavy turnover of 7.6m, at the expense of BP, which closed slightly easier at 451½p on 8.9m traded.

Transport group National Express rising 43 to 360p as trading in the shares restarted following the completion of the £244m takeover of West Midlands Travel. The deal more than doubles the size of National Express. NFC rose 6 to 175p, while P&O put on 9 at 574p.

Selected television stocks brightened after NatWest Securities highlighted the potential candidates for cross-media ownership. The government white paper on new higher limits for ownership is due in mid May and NatWest expects Yorkshire TV and HTV to be the most vulnerable to increased stakes. Yorkshire jumped 13 to 487p and HTV 6 to 175p.

There was a scramble for stock in drinks group Allied Domecq as word went round that one securities house was about to publish a bullish note on the stock. The shares gained 13 at 545p in 2.7m trade.

In general retailers, favourable results comment boosted Sears, the shares firming 2 to 106½p, in trade of 5.3m. The group reported improved annual figures on Tuesday but brokers continue to have mixed views on the stock. Williams de Broe favours the stock.

But NatWest Securities which reduced its current year profits forecast by £3m to £166m, advised investors to "reduce" holdings.

Strong general demand for Asda Group brought turnover of 27m shares. The total was said to include a trade of 8m believed to have been carried out by BZW. The shares closed 2¼ ahead at 82½p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20	Yr ago	*High	*Low
Ordinary Share	2449.7	2438.4	2434.5	2435.9	2421.4	2509.8	2454.1	2238.3
Ord. div. yield	4.32	4.34	4.34	4.35	4.37	3.97	4.73	4.31
P/E ratio net	15.78	16.68	16.56	16.55	16.45	19.39	21.38	16.45
P/E ratio nil	16.58	16.50	16.49	16.47	16.37	20.88	20.21	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2432.7	2433.4	2438.1	2444.9	2452.1	2453.4	2450.5	2448.1	2448.6	2453.5	2432.4

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20	Yr ago
SEAQ bargains	23,926	25,416	22,769	24,791	21,361	24,983
Equity turnover (£m)†	-	1579.3	1199.7	1472.9	1904.2	1272.0
Equity bargains†	-	37,438	32,117	38,854	33,477	29,836
Shares traded (mil)†	-	739.5	526.1	719.5	780.1	521.8

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	736	Total Highs	194	Total contracts	18,520
Total Falls	502	Total Lows	63	Calls	9,442
Same	1,628			Puts	10,078

April 26. *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3228.0	3232.0	+7.0	3254.0	3213.0	14855	70022
Sep	3257.0	3254.0	+7.0	3257.0	3257.0	2	1821
Dec	-	3284.0	+7.0	-	-	0	180

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3535.0	+5.0	-	-	0	4240

■ FT-SE 100 INDEX OPTION (LIFFE) (*3224) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
May	182	3½	135	6½	92½	13½	54	28	28½	52½	13½	87½	4½	136½	1½	179½
Jun	191	11	149½	18	113	32	81½	50½	53½	73½	33	104	19	141	11	184½
Jul	212½	23½	174	34½	137½	47½	108	67	81	91	59	119	41½	153	28½	191½
Aug	228	33½	191½	45½	157	61½	127½	81	100	104½	77½	133	57½	163½	42½	200
Dec†			256	84			195	122			146	172			102	231

Calls 4,765 Puts 3,817

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
May	155½	4½	110	8½	69½	17½	38½	36½	18½	68½	7	104½	2	150	1	198
Jun	172	16½	132	26	95½	40	66½	59½	41½	84	23½	116	12	153½	5	198½
Jul	192	27	155	39	121½	54½	93	75	68½	100	46	130	34	164	23	202
Sep			188	62			125	97			76	145½			42	208½
Dec†			242	89½			181	124½			129½	168½			85	220

Calls 1,315 Puts 1,668 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
170	F.P.	74.1	171	171	Biocompatibles Int'l	171		▼-	-	-	-
-	P.P.	132.3	723	689	Brit Aero Cap Uts	723	+18	-	-	-	-
60	F.P.	9.58	63	61	Coral Products	63		b-	-	-	9.5
§128	F.P.	15.5	135	128	Dailywin	129		Rv6.0	2.2	5.8	6.7
§130	F.P.	52.4	156	136	Datrontech	156	+1	-	-	-	17.8
-	F.P.	141.0	105	103	Dunyat An Div	103		M8.2	-	7.5	-
-	F.P.	29.1	105	100	Do. Monthly Div	103		M5.92	-	7.2	-
100	F.P.	20.0	101	100	F&C SUIT Units	100		-	-	-	-
100	F.P.	29.4	101	98	Geared Inc Inv C	98		-	-	-	-
476	170	6,256.2	193	158½	*Nat'l Power (P/P)	182		F15.45	2.6	4.0	13.4
90	F.P.	18.2	96	90	PTS	96		L3.8	1.9	4.7	13.9
512	185	4,097.7	206	176½	*PowerGen (P/P)	195		F15.0	3.2	3.6	11.3
125	F.P.	18.8	128	125	Precoat Int'l	128		R4.2	2.5	4.1	12.3
270	F.P.	71.8	318	301	Ratnford	301	-3	R5.0	2.9	2.1	17.7
-	F.P.	81.5	104½	103	Schroder Inc Gth	103		-	-	-	-
-	F.P.	4.76	31	25	Do. Warrants	30		-	-	-	-
100	F.P.	23.3	99	95	Scott Or Smlr Cos	98½		-	-	-	-
97	F.P.	43.3	158	133	Vision	140		-	-	-	-

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 25	% chg on day	Apr 24	Apr 21	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index† (36)	1987.04	+0.2	1982.73	1974.13	1792.90	2.09	2237.90	1837.91
■ Regional Indices								
Africa (16)	2732.25	-0.5	2747.33	2738.40	2437.39	4.83	3711.87	2385.52
Australasia (7)	2417.46	-0.2	2423.10	2437.72	2365.08	1.62	2851.49	1788.20
North America (11)	1712.24	+0.7	1700.13	1687.92	1520.30	0.79	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition. Market closed 25/4/95- Australia.

FT-SE Actuaries Share Indices — The UK Series

	Apr 26	Day's chge%	Apr 25	Apr 24	Apr 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3226.2	+0.4	3214.9	3209.3	3199.9	3150.0	4.23	1.92	15.38	51.80	1252.54
FT-SE Mid 250	3517.6	+0.2	3511.5	3497.8	3505.1	3793.9	3.68	1.80	18.91	44.03	1342.41
FT-SE Mid 250 ex Inv Trusts	3525.5	+0.2	3520.0	3507.3	3515.4	3809.0	3.83	1.86	17.61	46.02	1344.24
FT-SE-A 350	1600.8	+0.3	1595.8	1592.3	1589.4	1599.1	4.11	1.90	16.04	24.44	1270.68
FT-SE-A 350 Higher Yield	1614.7	+0.3	1610.7	1608.4	1604.1	1599.2	5.04	1.69	14.71	32.04	1058.26
FT-SE-A 350 Lower Yield	1586.7	+0.4	1580.6	1575.5	1574.3	1558.7	3.02	2.31	17.92	16.40	1057.22
FT-SE SmallCap	1761.26	+0.3	1756.45	1749.87	1749.59	1939.35	3.43	1.58	22.89	21.84	1394.29
FT-SE SmallCap ex Inv Trusts	1737.72	+0.3	1732.81	1728.40	1726.06	1915.61	3.65	1.65	20.80	22.52	1381.07
FT-SE-A ALL-SHARE	1580.39	+0.3	1575.48	1571.79	1569.15	1590.23	4.05	1.88	16.42	23.78	1275.44

■ FT-SE Actuaries All-Share

	Apr 26	Day's chge%	Apr 25	Apr 24	Apr 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2817.06	+0.4	2804.44	2802.70	2796.37	2709.24	3.86	1.75	19.57	52.95	1160.01
12 Extractive Industries(7)	3675.30	+0.3	3665.67	3668.33	3693.64	3863.00	3.83	1.96	16.63	91.94	1040.74
15 Oil, Integrated(3)	2823.31	+0.5	2808.51	2808.36	2795.74	2646.73	3.75	1.79	18.63	50.43	1188.04
16 Oil Exploration & Prod(14)	2046.27	+0.1	2044.61	2026.78	2028.88	2099.43	2.42	0.43	80.00†	31.57	1203.90
20 GEN INDUSTRIALS(279)	1880.92	+0.3	1875.69	1868.86	1872.50	2128.35	4.17	1.64	18.27	29.46	983.18
21 Building & Construction(38)	980.16	.....	980.51	952.29	956.94	1333.38	4.14	1.89	15.86	17.37	772.07
22 Building Matls & Merchs(31)	1733.56	-0.3	1738.24	1731.60	1735.04	2124.94	4.27	1.88	15.55	27.71	838.19
23 Chemicals(22)	2295.69	+0.6	2282.72	2283.35	2291.91	2552.23	4.12	1.38	21.96	33.48	1041.88
24 Diversified Industrials(18)	1836.49	-0.2	1839.61	1835.31	1832.88	2143.42	5.19	1.46	16.55	40.72	972.86
25 Electronic & Elect Equip(37)	1954.18	+0.9	1936.79	1932.20	1957.40	2050.50	3.73	1.92	17.39	13.10	972.17
26 Engineering(72)	1856.45	+0.6	1845.53	1835.98	1834.91	1978.57	3.34	1.85	20.20	21.26	1083.07
27 Engineering, Vehicles(13)	2204.02	+0.2	2199.41	2188.70	2194.88	2485.85	4.15	0.38	79.14	47.72	1102.98
28 Paper, Pckg & Printing(27)	2861.47	+0.6	2843.66	2822.23	2815.33	2944.74	3.34	2.31	16.21	37.94	1148.64
29 Textiles & Apparel(21)	1585.24	+0.8	1572.96	1564.83	1569.87	1829.19	4.45	1.63	17.26	28.92	923.74
30 CONSUMER GOODS(94)	3048.74	+0.3	3040.74	3032.42	3009.48	2727.07	4.26	1.63	18.02	52.92	1079.08
31 Breweries(18)	2283.66	+0.6	2269.11	2265.86	2264.13	2287.96	4.20	2.03	14.65	12.19	1046.35
32 Spirits, Wines & Ciders(10)	2766.39	+0.7	2748.52	2750.92	2746.55	2996.39	4.19	1.83	16.28	54.52	954.44
33 Food Producers(24)	2435.65	+0.1	2432.28	2417.28	2410.69	2372.42	4.16	1.96	15.33	51.64	1058.97
34 Household Goods(10)	2441.46	-0.1	2442.80	2438.99	2451.24	2703.94	3.77	0.86	38.35	50.32	902.60
36 Health Care(18)	1713.58	+0.4	1707.01	1704.29	1712.65	1707.38	3.03	0.97	42.45	9.19	1008.34
37 Pharmaceuticals(12)	3812.58	-0.1	3815.93	3815.88	3750.90	2697.76	4.07	1.33	23.16	49.48	1240.11
38 Tobacco(2)	3992.51	+0.7	3964.83	3913.63	3881.52	3867.37	5.68	1.63	13.49	131.29	944.94
40 SERVICES(229)	1964.57	+0.8	1949.05	1940.55	1938.45	2054.59	3.33	2.09	17.93	22.81	985.46
41 Distributors(32)	2452.39	+0.6	2438.79	2419.18	2403.21	3083.46	3.90	1.95	16.47	41.11	872.28
42 Leisure & Hotels(29)	2201.92	+0.5	2190.47	2187.38	2183.37	2268.89	3.49	1.58	22.62	35.29	1110.35
43 Media(43)	2886.43	+0.3	2879.17	2864.11	2865.01	3140.29	2.71	2.27	20.33	47.53	1022.21
44 Retailers, Food(16)	1921.65	+1.1	1901.67	1890.65	1886.20	1572.20	3.51	2.48	14.39	17.14	1170.43
45 Retailers, General(44)	1648.32	+1.2	1629.14	1619.50	1612.06	1766.44	3.33	2.12	17.66	10.92	903.35
48 Support Services(37)	1532.65	+0.1	1531.38	1526.00	1529.79	1669.99	2.80	2.45	18.22	13.56	947.34
49 Transport(21)	2219.51	+1.3	2191.69	2190.93	2206.89	2529.38	3.67	1.90	17.05	29.32	868.40
51 Other Services & Business(7)	1217.49	+0.1	1216.30	1214.90	1204.46	1172.63	3.71	1.21	27.76	10.90	1066.05
60 UTILITIES(37)	2326.10	+0.1	2324.92	2327.79	2328.17	2285.79	4.68	1.98	13.84	6.85	916.50
62 Electricity(17)	2225.02	+0.4	2215.23	2222.46	2230.71	2154.59	4.60	2.67	10.20	19.89	952.21
64 Gas Distribution(2)	1986.55	-1.0	2006.61	2032.20	2032.82	1959.25	6.03	0.65	31.76	0.00	933.06
66 Telecommunications(5)	2013.49	+0.1	2012.06	2005.75	2002.06	2029.26	4.06	1.69	18.26	0.13	873.91
68 Water(13)	1851.07	+0.3	1845.59	1843.43	1841.65	1747.63	5.41	2.73	8.45	4.62	943.88
69 NON-FINANCIALS(663)	1707.38	+0.4	1700.84	1698.62	1693.52	1723.29	4.01	1.80	17.37	22.93	1236.59
70 FINANCIALS(117)	2267.90	.....	2268.87	2266.93	2263.87	2213.73	4.67	2.33	11.49	56.44	929.35
71 Banks, Retail(9)	3038.28	-0.1	3040.53	3047.46	3036.32	2788.15	4.63	2.95	9.37	86.03	943.02
72 Banks, Merchant(6)	3193.58	+0.1	3191.12	3187.64	3165.03	2985.55	3.63	2.64	13.55	31.67	980.01
73 Insurance(26)	1260.67	+0.1	1259.06	1248.41	1257.35	1320.28	5.63	1.66	13.38	34.09	896.98
74 Life Assurance(6)	2499.72	+0.1	2497.64	2498.42	2492.29	2478.95	5.43	1.33	17.30	91.02	1003.01
77 Other Financial(22)	1976.02	+0.1	1973.35	1972.06	1961.86	1886.59	3.88	2.32	13.86	22.91	1080.66
79 Property(46)	1345.41	-0.3	1349.82	1338.93	1339.05	1631.44	4.47	1.17	23.92	12.77	787.99
80 INVESTMENT TRUSTS(133)	2678.34	+0.3	2670.55	2654.87	2655.57	2858.84	2.38	1.02	51.39	20.53	912.11
89 FT-SE-A ALL-SHARE(913)	1580.39	+0.3	1575.48	1571.79	1569.15	1590.23	4.05	1.88	16.42	23.78	1275.44
FT-SE-A Fledgling	970.60	.....	970.87	969.20	968.84	-	3.09	1.13	35.81	9.85	980.53
FT-SE-A Fledgling ex Inv Trusts	985.40	-0.1	985.94	984.48	984.04	-	3.28	1.15	33.00	10.33	975.77

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3204.6	3206.5	3213.1	3222.3	3230.8	3230.4	3227.9	3221.3	3224.3	3231.3	3204.4
FT-SE Mid 250	3507.1	3506.8	3509.8	3511.6	3518.9	3517.5	3518.2	3517.2	3518.0	3518.6	3506.8
FT-SE-A 350	1591.4	1592.1	1595.0	1598.7	1602.5	1602.4	1601.5	1598.9	1600.1	1602.7	1591.3

Time of FT-SE 100 Day's high: 11.51am Day's low: 8.31am. FT-SE 100 1994 High: 3210.9 (7/4) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	940.4	939.4	938.1	938.1	939.0	939.0	939.3	938.8	939.7	940.8	942.8	-2.0
Pharmaceuticls	3776.4	3776.4	3776.6	3788.0	3789.3	3790.1	3783.8	3781.9	3781.0	3781.0	3784.4	-3.4
Water	1833.6	1833.5	1834.4	1835.2	1842.6	1843.5	1844.4	1844.4	1840.8	1844.6	1838.9	+5.7
Banks, Retail	3053.5	3057.6	3062.3	3070.9	3086.6	3082.3	3078.8	3069.7	3075.4	3076.7	3079.3	-2.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	674	345	+1
ASDA Group†	27,000	82½	+2¼
Abbey National†	5,600	472	-3
Albert Fisher	5,800	45½	-½
Allied Domecq†	2,700	545	+13
Anglian Water	484	499	+2
Argos	1,500	406	+3½
Argyll Group†	4,200	288	
Arjo Wiggins†	2,400	268	+8
Assoc. Brit. Foods†	225	648	+1
Assoc. Brit. Ports	89	281	
BAA†	1,000	482	+5
BAT Inds.†	11,000	470	+3½
BET	19,000	118	+1
BICC	626	321	+5
BOC†	1,500	739	+4
BP†	8,900	451½	-½
BPB Inds.	5,400	271	-1
BT†	9,600	398½	-½
BTR†	8,100	330½	+2½
Bank of Scotland†	7,700	220	+1
Barclays†	3,000	647	+7
Bass†	1,500	550	+6
Blue Circle†	3,900	285	-4
Booker	405	405	
Boots†	3,100	517	+6
Bowater†	1,200	445	-1
Brit. Aerospace†	3,600	534	+14
British Airways†	4,500	402	+4
British Gas†	8,300	300½	-3
British Land	228	372	-4
British Steel†	14,000	163½	+2½
Bunzl	169	185	
Burmah Castrol†	82	875	-1
Burton	8,200	78¼	+¾
Cable & Wire†	3,000	406	-1
Cadbury Schweppes†	2,700	442	+2
Caradon†	634	251	-3
Carlton Comms.†	905	935	+10
Coats Viyella	2,400	201	+6
Comm. Union†	2,300	547	-3
Cookson	4,000	226	+7
Courtaulds†	1,600	443	-3
Dalgety	900	430	+1
De La Rue†	917	918	+1
Dixons	2,300	247	+1
Eastern Elect.†	845	634	+13
East Midland Elect.	309	657	-1
Electrocomps	87	537	
Eng China Clays	708	394	
Enterprise Oil†	2,400	414	
Eurotunnel Units	331	201	
FKI	2,200	157	+7
Fisons	3,900	185	+1
Foreign & Col. I.T.	568	135	+½
Forte†	3,900	226½	-2½
Gen. Accident†	881	579	+6
General Elect.†	6,600	303	+4
Glaxo†	4,700	734	+2
Glynwed	835	317	
Granada†	2,000	576	+4
Grand Met.†	4,400	403	+2
GUS†	2,700	600	+13
GRE†	3,400	189½	+1½
GKN†	477	698	+4
Guinness†	2,600	474	
HSBC (75p shs)†	5,500	727½	-12½
Hammerson	169	328	-3
Hanson†	5,100	237¼	-3½
Harrisons Crosfield	379	150	-1½
Hays	1,700	301	-4
Hillsdown	1,700	187	+1
IMI	681	304	
ICI†	2,000	758	+10
Inchcape†	3,500	334	+7
Johnson Matthey	300	546	
Kingfisher†	3,000	452	-8
Kwik Save	524	568	-5
Ladbroke†	4,000	174	+3
Land Securities†	963	563	-5
Laporte	446	704	+7
Legal & General†	979	475	
Lloyds Abbey	210	372	
Lloyds Bank†	2,900	633	+6
LASMO	1,700	169	
London Elect.	598	639	
Lonrho	3,100	163½	+1
Lucas	1,100	192	+1
MEPC†	792	380	-4
MFI	3,500	123	+2
Manweb	86	668	+2
Marks & Spencer†	3,300	416	+2½
Midlands Elect.	77	647	
Morrison (Wm.)	2,000	146	
NFC	1,300	175	+6
NatWest Bank†	3,300	545	+4
National Power†	4,000	455	+2
Next	2,100	311	+4
North West Water†	871	570	+9
Northern Elect.	59	800	
Northern Foods	1,400	185	-2
Norweb	12	653	
Pearson†	1,500	573	-2
P & O†	1,200	574	+9
Pilkington	305	181	+1
PowerGen†	2,100	485	+2
Prudential†	4,500	318	
RMC†	813	1002	-5
RTZ†	3,800	789	+4
Racal	1,800	245	+1
Rank Org.†	6,800	419	+10
Reckitt & Colman†	906	622	
Redland†	1,100	425	-3
Reed Intl.†	1,100	805	+4
Rentokil†	1,400	256	+1
Reuters†	928	487	+1
Rolls Royce†	9,100	175	+2
Ryl Bk Scotland†	1,800	419	+3
Royal Insurance†	2,800	303	
Sainsbury†	3,100	436	+5
Schroders†	446	1645	-5
Scottish & New.†	576	541	+1
Scot. Hydro-Elect.	307	324	
Scottish Power†	1,300	341	+2
Sears†	7,300	106½	+2
Sedgwick	1,400	157	-2
Seeboard	572	370	+5
Severn Trent†	1,100	536	+2
Shell Transport†	7,600	743	+9
Siebe†	645	586	-1
Slough Ests	436	214	
Smith (W.H.)	180	414	
Smith & Nephew†	1,800	171	-1
SmKl Beecham†	5,200	486	+1
SmKl Beecham Uts.†	3,700	482	-2
Smiths Inds.	673	488	-1
Southern Elect.†	565	656	-5
South Wales Elect.	218	680	
South West Water	58	515	-2
South West. Elect.	43	657	+6
Southern Water	414	590	-7
Standard Chartd.†	3,400	300	-4
Storehouse	2,200	245	+3
Sun Alliance†	1,900	341	+3
T&N	1,200	151	-1
TI Group†	902	381	-2
TSB†	5,600	250	+2
Tarmac	3,900	111	
Tate & Lyle†	1,500	431	+5
Taylor Woodrow	505	117½	+½
TeleWest	1,100	155	
Tesco†	5,400	276½	+4½
Thames Water†	1,000	496	+1
Thorn EMI†	1,000	1117	-5
Tomkins†	2,200	235½	-1½
Trafalgar House	1,200	57	-1
Unigate	133	380	-2
Unilever†	1,200	1223	+1
United Biscuits†	1,100	347	-2
Utd. Newspapers	418	495	+1
Vodafone†	3,200	191½	
Warburg (SG)†	763	743	+2
Welsh Water	116	617	+6
Wessex Water	731	292	
Whitbread†	2,300	559	+7
Williams Hldgs.†	2,200	335	
Willis Corroon	145	157	-3
Wimpey	951	134	-1
Wolseley†	2,100	347	-2
Yorkshire Elect.	376	671	-1
Yorkshire Water	543	551	-2
Zeneca†	2,100	912	-7

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

CONTRACTS & TENDERS

مكبرا من الاصل

To Asia/Paci

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 26 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Apr 26 / Frs.)

[illegible]

CZECH REP (Apr 26 / Koruna)

[illegible]

DENMARK (Apr 26 / Kr)

[illegible]

FINLAND (Apr 26 / Mkka)

[illegible]

FRANCE (Apr 26 / Frs.)

[illegible]

GERMANY (Apr 26 / Dm.)

[illegible]

GREECE (Apr 26 / Drachma)

[illegible]

ITALY (Apr 26 / Lira)

[illegible]

NETHERLANDS (Apr 26 / Fls.)

[illegible]

NORWAY (Apr 26 / Kroner)

[illegible]

POLAND (Apr 25 / Zloty)

[illegible]

PORTUGAL (Apr 26 / Escudo)

[illegible]

SPAIN (Apr 26 / Pts.)

[illegible]

SWEDEN (Apr 26 / Kronor)

[illegible]

SWITZERLAND (Apr 26 / Frs.)

[illegible]

TURKEY (Apr 26 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 26 / Yen)

[illegible]

HONG KONG (Apr 26 / H.K.$)

[illegible]

INDONESIA (Apr 26 / Rupiah)

[illegible]

MALAYSIA (Apr 26 / MYR)

[illegible]

NEW ZEALAND (Apr 26 / NZ $)

[illegible]

SINGAPORE (Apr 26 / S$)

[illegible]

AUSTRALIA (Apr 26 / Aus$)

[illegible]

Pionin	3.22	+.04	3.30	2.90	4.7	13.4	17275	AlbNtG	15¾	+¼	$15¾ 15½
PlacDm	32.50	...	33	25	...	...	1298110	AlcnAl	37⅞	−⅛	$38½ 37⅞
Plutnc	6.40	−.03	6.90	4.70	0.8	...	11200	AlcoCr	18¾		$18¾ 18⅝
PosGld	2.75	−.06	3.08	1.85	3.8	...	25575	Avenor	28¼	−¼	$28½ d28
PstlBr	3.90xt	+.13	4.05	3.18	...	...	4400	BCBugA	8¾		$8¾ 8¾
QBE In	5.50	+.13	5.70	4.42	4.6	...	20795	BC Tel	23⅛	+⅛	$23⅛ 23
QCT Re	1.35	+.01	1.40	1.24	6.7	...	439975	BCE	43½	+½	$43½ 43
QNI	1.87	−.04	2.20	1.60	...	...	30884	BCE Mb	43⅛	−⅛	$43⅛ d43
RnsnGd	4.80xr	−.05	4.90	3.90	0.5	...	6220	BGR A	14½	−⅜	$14⅞ 14½
Rothmn	5.90	+.06	6.32	4.35	...	...	1800	Bmewk	10		$10 10
Santos	3.76	+.04	3.80	3.27	7.2	6.7	1116250	BkMont	28	+½	d$28 27⅞
Sctgrd	2.25	...	2.30	2	...	...	1170180	BkNovS	27⅞	+½	$27⅞ 27⅜
7 Netw	3.40	+.02	3.55	2.64	...	...	776180	BrckGd	33⅝	−⅝	$34⅛ 33⅝
SmthHw	6.01	−.03	6.15	5.30	5.0	...	56360	BeauEx	208	−3	u210 208
SonGwa	5.88	...	6.18	4.20	8.4	...	1500	BombA	29¼	+⅛	$29¼ 29½
Stnc'p	2.95	+.03	3.14	2.73	5.6	...	387371	BmbdrB	29⅜	+¼	$29⅜ 29¼
SGeoBk	6.20	+.07	6.32	5.10	...	...	8112	BracnA	17⅞		$17⅞ 17⅞
Stckld	3.13	...	3.32	2.83	7.7	22.4	10098	Bmcor	22½	−⅛	$22⅝ d22½
TNT	1.90	...	2.18	1.68	...	6.8	189600	CAE	8⅝	−⅛	$8¾ 8⅝
Tabcrp	3	+.10	3.02	2.30	...	...	120705	CmpbRe	110	−5	115 110

SOUTH KOREA (Apr 26 / Won)

[illegible]

TAIWAN (Apr 26 / TW $)

[illegible]

THAILAND (Apr 26 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Apr 26 / Can $)

4 pm close

[illegible]

MONTREAL (Apr 26 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Apr 26 / Rand)

[illegible]

INDICES

	Apr 26	Apr 25	Apr 24	1995 High		1995 Low	
Hong Kong							
Hang Seng(31/7/64)	8285.69	8505.80	8625.55	8827.83	28/3	6967.93	23/1
India							
BSE Sens.(1979)	3264.79	3273.17	3309.00	3632.09	2/1	3233.31	22/2
Indonesia							
Jakarta Comp.(10/8/82)	419.60	421.78	420.19	481.22	9/1	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	1886.87	1876.03	1865.51	1982.77	10/2	1813.58	23/1
Italy							
Banca Comm Ital (1972)	626.19	(c)	612.27	680.54	10/2	587.89	23/3
MIB General (2/1/86)	989.0	(c)	975.0	1076.09	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	16828.49	16910.54	16804.05	19723.88	2/1	16381.29	3/4
Nikkei 300 (1/10/82)	246.24	247.22	245.75	287.17	2/1	229.06	24/3
Taiwan							
WeightedPr.(30/6/66)**	5735.23	5803.14	5963.88	7124.66	3/1	5735.23	26/4
Thailand							
Bangkok SET (30/4/75)	1161.62	1168.79	1174.55	1373.85	5/1	1135.69	18/3
Turkey							
Istanbul Cmp.(Jan 1986)	51226.8	50880.9	48676.1	54853.99	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	654.1*	653.9	653.8	669.80	26/4	608.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1304.22	1295.65	1281.06	1349.30	10/2	1222.41	13/3
Euro Top-100 (26/6/90)	1188.11	1182.38	1173.83	1282.87	10/2	1114.54	10/3
JCapelDrgns (31/12/88)	(u)	308.69	306.86	309.88	14/4	262.07	23/1
Barings Emerg.(7/1/92)	142.10	141.48	139.59	168.07	2/1	117.18	10/3

** Sat Apr 22: Taiwan Weighted Price 5967.93; Korea Comp Ex 891.84. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ IBIS/DAX after-hours index: Apr 26 - 2028.62 +20.95. Montreal. ◆ Toronto. (c) Closed. (u) Unavailable.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Apr	1940.0	1941.0	-8.0	1964.0	1935.0	35,922	21,521
May	1939.0	1939.0	-7.5	1960.5	1932.5	9,850	22,870
DAX							
Jun	2012.0	2024.5	+12.5	2037.5	2012.0	21,983	119,342
Sep	2037.0	2046.0	+12.0	2055.5	2035.0	188	2,632

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
OMX							
Apr	1198.00	1200.50	-	1206.50	1194.00	6,630	16,839
May	1183.00	1188.00	-1.00	1204.00	1183.00	3,068	11,731
SOFFEX							
May	2539.0	2558.0	+19.0	2565.0	2539.0	3,277	14,257
Jun	2527.0	2542.5	-1.0	2527.0	2527.0	2	1,017

US INDICES

NYSE Comp	276.39	276.84	274.76	276.84 (24/4)	250.73 (3/1)	276.84 (24/4/95)	4.46 (25/4/42)
Amex Mkt Val	473.59	473.57	472.10	473.59 (25/4)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	831.26	828.91	823.46	832.84 (13/4)	743.58 (3/1)	832.84 (13/4/95)	54.87 (31/10/72)

RATIOS

	Apr 21	Apr 13	Apr 7	Year ago
Dow Jones Ind. Div. Yield	2.57	2.60	2.61	2.79
	Apr 19	Apr 12	Apr 5	Year ago
S & P Ind. Div. yield	2.27	2.25	2.26	2.55
S & P Ind. P/E ratio	18.06	18.15	18.11	23.24

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Compaq	8,275,400	39⅜	+⅞
Telefonos	5,975,600	30⅝	-¼
Motorola	5,628,500	55	+1¼
Wal-Mart	5,383,600	23¾	-⅝
K-Mart	4,261,800	14⅞	-½
Amer T & T	4,088,400	50⅝	+1
Enersis	4,035,500	29¾	+2¼
Chrysler	3,492,800	44¼	-¼
RJR Nabisco	3,370,900	26½	-⅞
IBM	3,339,400	93¾	+⅛

TRADING ACTIVITY

● Volume (million)	Apr 25	Apr 24	Apr 21
New York SE	351.778	328.184	403.546
Amex	18.983	17.318	18.026
NASDAQ	341.983	290.105	359.105
NYSE			
Issues Traded	2,971	2,963	2,968
Rises	1,149	1,374	1,317
Falls	1,060	841	847
Unchanged	762	748	804
New Highs	127	127	104
New Lows	18	13	23

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	513.30	513.45	+0.05	514.25	513.05	63,561	194,524
Sep	518.00	517.90	+0.40	518.15	517.90	1,138	14,551
Nikkei 225							
Jun	16820.0	16880.0	-20.0	16970.0	16760.0	20,504	121,690
Sep	16860.0	16940.0	-40.0	16940.0	16960.0	7	1,847

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. (A) Owing to problems at source, prices shown are pre-close.

TOKYO - MOST ACTIVE STOCKS: Wednesday, April 26, 1995

	Stocks Traded	Closing Prices	Change on day
Tosoh	3.8m	448	+3
NEC	3.3m	920	-6
Tsumura & Co	3.3m	1360	+10
Mitsubishi Oil	3.2m	890	+14
Hitachi	3.1m	869	-12
Toshiba	2.9m	585	-3
Nippon Steel	2.3m	335	-2
Tamura Elec	2.2m	825	+20
NKK	2.2m	236	+2
Kawasaki Steel	2.1m	344	-4

4 pm close April 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- C -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- D -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- E -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- F -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- G -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- H -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- I -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- J -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- K -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- L -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- M -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- N -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- O -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- P - Q -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- R -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- S -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close April 26

NYSE COMPOSITE PRICES

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- W -

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- X - Y - Z -

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Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

FT Free Annual Reports Service

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AMEX COMPOSITE PRICES

4 pm close April 26

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NASDAQ NATIONAL MARKET

4 pm close April 26

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- V -

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- W -

[illegible]

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AMERICA

Nasdaq at record high in midsession trading

Wall Street

Blue chip stocks slipped back below the 4,300-point level while the Nasdaq composite soared to a new record high in early trading yesterday amid mixed signals from other financial markets, *writes Lisa Bransten in New York.*

The major indices were mixed at 1pm as higher technology prices helped the Nasdaq composite higher while other indices were flat or modestly lower.

The Nasdaq composite index gained 3.95 at 834.23, surpassing its record of 832.64 set on April 13.

The Dow Industrial Average was 1.38 lower at 4,298.79, while the Standard & Poor's 500 was unchanged at 512.15. The American Stock Exchange composite firmed 0.91 to 474.50. Trading volume on the New York Stock Exchange was 200m shares.

In early trading the dollar jumped against the D-Mark and the Japanese yen, buoyed by agreement by the Group of Seven industrial nations to work to stabilise international currency markets.

By early afternoon the US currency was changing hands for Y83.90 and DM1.3783 compared to Y81.93 and DM1.3708 late on Tuesday.

Meanwhile, stronger than expected figures on durable goods orders and worries about new supply due to be sold on to the market yesterday afternoon sent the Treasury market lower in early trading.

The technology sector continued its recent climb on the back of the strong earnings report issued last Thursday by IBM. Big blue, which is a component of the Dow, added another $1¼ at $94⅞ to the more than $6 it has gained since last week.

On the Nasdaq, Intel gained $1 at $99⅛, Apple Computer was $⅝ higher at $38⅝ and Dell Computer rose $⅝ to $53.

Reader's Digest shed more than 15 per cent, falling $7⅛ to $40⅛, after the publishing company said that it expected higher newsprint prices and weakness in its European operations to reduce earnings growth into 1996.

Chrysler dropped $2⅛ to $41⅞ after Mr Kirk Kerkorian acknowledged in a letter to the company that he had been unable to raise the necessary financing to mount a takeover bid for the company. Shares in the third biggest motor manufacturer soared on April 12 after Mr Kerkorian proposed a buyout of the company for $55 a share.

Canada

Toronto was mixed at midday as losses in conglomerates and forestry products offset gains in most other sectors. The TSE-300 composite index was 3.33 higher at 4,284.43 by noon in heavy volume of 38.9m shares.

Traders noted that the Toronto market had tracked Wall Street's performance. Of Toronto's 14 sub-indices, nine sectors posted gains at midday.

International Musto Explorations extended earlier gains, rising C$2¼ to C$15 after the company said it would respond soon to a joint takeover bid from Australia's North and Canada's Rio Algom. Placer Dome, C$¼ higher at C$34⅞, said that it was weighing its options as a result of the competing bid.

SOUTH AFRICA

Equities were in a cautious mood ahead of today's public holiday. Gold shares softened as the price of bullion slipped to $388 an ounce, and the sector index shed 13.9 to 1,465.3. Brokers noted that recent disappointing quarterly results from gold miners were weighing on sentiment. The overall index put on 4.9 at 5,464.8 and industrials rose 30.5 to 6,824.4.

EUROPE

Bourses cheered by better $ and bonds

A better day for the dollar and bonds gave hard currency bourses a good start, *writes Our Markets Staff.* Post-election Paris, a recent, but potentially fragile, member of the hard currency club, lost its enthusiasm after lunch; but Milan waxed positive on politics and had a very good day.

FRANKFURT liked the dollar and bond market news, which offered scope to both defensive and cyclical stocks. It also heard a Bundesbank board member, Mr Hans-Jürgen Krupp, say that the current 4 per cent discount rate was "not particularly low" and that there was no reason to rule out rate cut speculation.

The combination lifted the Dax index to 2,029.53 on the session, and to a post-bourse close 20.95 higher at an Ibis-indicated 2,028.52. Turnover climbed again from DM7.4bn to DM8.1bn, with both Siemens and Daimler topping the individual DM1bn level.

Cyclicals featured the automotive sector en bloc, with Daimler DM13.50 higher at DM632 after an 8 per cent rise in first-quarter sales at its Mercedes subsidiary, and steels led by Thyssen, DM6.70 higher at DM257.70, and Mannesmann, up DM8.30 to DM378.30.

Improved sentiment in the retail sector, reflecting lower import costs and higher wage settlements, took Karstadt up another DM11 to DM610 and Kaufhof ahead by DM9 to DM510, and broadened to take in Asko, which rose DM30 or 5.1 per cent to DM620.

Elsewhere in second-tier stocks the specialty chemicals group Beiersdorf surged DM64 or 6.2 per cent to DM1,102 on a higher dividend for 1994.

PARIS decided that it was time to take profits after a 13 per cent gain since the middle of March, which marked the start of the current bull phase. The CAC-40 index retreated 3.61 to 1,942.32, after an earlier high of 1,962.86, in turnover of FFr4bn.

Presidential electioneering provided the backdrop to the session, but corporate news was in evidence from Club Med, which made a positive assessment of its trading position, forecast a good rise in first-half results and saw the shares rise FFr10 to FFr503.

GAN, the insurance group which is set for privatisation, reported a 1994 loss of FFr5bn, largely due to its exposure to the crippled property market. But investors took the view that the worst was now behind the group, and the shares rose to a session's high of FFr175, before falling away in line with the overall trend to close off 50 centimes at FFr168.

MILAN was cheered by the outcome of the weekend's regional elections, and a pick up in turnover to between L600bn to L700bn suggested that some foreign investors were once again testing the water. The Comit index rose 8.92 or 1.5 per cent to 626.19.

Mr John Stewart at Inter-Europe in Milan commented that the check on the progress of the right in the regional polls had strengthened the hand of Prime Minister Lamberto Dini and pointed to a calmer period ahead on the political front.

Among market leaders, Mediobanca rose L551 to L12,534 and Fiat was L85 higher at L6,719. The insurance sector, likely to benefit from the introduction of private pensions, saw Generali L483 ahead at L40,003, while Telecom Italia, a traditional favourite among foreign investors, advanced L123 to L4,262.

AMSTERDAM rose on the dollar, the AEX index moving forward 4.56 to 413.79.

Philips, up Fl 1.20 at Fl 56.70, after a high of Fl 56.80, was the main story of the day as it released first-quarter results at the top end of expectations. However, the company warned that the recent trend of dollar weakness against the yen and D-Mark had a significant effect on earnings. Polygram, its music and film subsidiary, added 20 cents at Fl 87.20.

Good gains were also seen from Royal Dutch, which added Fl 3.30 or 1.8 per cent at Fl 191.40, Elsevier, up 30 cents at Fl 17.10, and Ahold, up 80 cents at Fl 56.80.

ZURICH's advance was checked in late trading as the dollar slipped, the SMI index closing 13.3 higher at 2,574.4.

Pharmaceuticals remained in demand. Roche certificates picked up another SFr50 to SFr6,845 ahead of 1994 results today and Ciba, which forecast higher 1995 operating profit, was SFr7 firmer at SFr771.

FT-SE Actuaries Share Indices									THE EUROPEAN SERIES
Apr 26									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	
FT-SE Eurotrack 100	1300.97	1302.62	1304.57	1307.35	1307.51	1307.72	1305.28	1304.32	
FT-SE Eurotrack 200	1398.09	1400.20	1400.25	1402.27	1402.81	1403.82	1403.39	1401.46	
	Apr 25	Apr 24	Apr 21	Apr 20	Apr 19				
FT-SE Eurotrack 100	1295.65	1291.99	1289.45	1287.99	1282.29				
FT-SE Eurotrack 200	1392.63	1385.30	1384.74	1372.82	1367.69				

Base 1000 (26/10/90). High/day: 100 - 1310.72; 200 - 1405.35 Low/day: 100 - 1300.55 200 - 1395.84 [illegible]

Holderbank rose another SFr20 to SFr888, still benefiting from the release of better than expected results.

Bâloise, the insurer, added SFr70 to SFr2,520 on speculative demand by institutional buyers.

BRUSSELS and VIENNA had nasty accidents in the construction sector. In Belgium, Franki plunged BFr74, or 9 per cent to BFr750 on Tuesday's losses and, in Austria, a sharp drop in 1994 profits and a halved dividend from Maculan left the shares down Sch54, or 9.9 per cent at Sch495.

HELSINKI's forestry stocks eased late in the day after news of an EU Commission probe into a suspected newsprint cartel but, in spite of that, the Hex index rose another 1.7 per cent, closing 30.1 higher at 1,777.5.

WARSAW took profits following the market's recent record breaking run, and the Wig index fell 857 or 7 per cent to 8,611.5. Turnover was also lower, losing 44 per cent to 118m zlotys.

However, analysts noted that the likelihood of a reduction in interest rates next month was likely to support prices in the short-term.

Written and edited by William Cochrane, Michael Morgan and John Pitt

Brazil 5% higher at midsession

São Paulo was firmer in mid-morning trade as the market awaited a televised address later in the day by President Fernando Henrique Cardoso in which he was expected to defend an anti-inflation programme, and urge congress to pass constitutional reforms.

The Bovespa index had gained 2,014 or 5.5 per cent at 39,006 by midsession. Eletrobras was one of the main risers, up 8 per cent at R$272, following news that it was to be privatised.

MEXICO extended early gains on a fall in domestic interest rates and a rise in the peso. The IPC index of the 37 leading shares was ahead 28.25 or 1.4 per cent at 2,029.40. Volume had reached 21m shares.

BUENOS AIRES was weaker in early trading after the Merval index had registered a 20 per cent rise over the last five sessions. By late morning the index was off 13.69 or 3 per cent at 420.47. Turnover came to 67.3m pesos.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Apr. 21 1995	% Change over week	% Change on Dec '94	Local currency terms Apr. 21 1995	% Change over week	% Change on Dec '94
Latin America	(257)	442.15	+8.5	-23.8			
Argentina	(30)	719.83	+13.8	-2.0	441,526.42	+13.7	-2.0
Brazil	(72)	278.90	+10.6	-27.4	955.43	+11.6	-21.6
Chile	(36)	768.04	+1.8	-2.1	1,206.33	+0.9	-4.3
Colombia	(16)	710.07	-1.9	-12.5	1,102.74	-0.6	-7.7
Mexico	(71)	412.24	+8.2	-32.2	1,069.41	+4.3	-17.2
Peru	(20)	178.56	+4.1	+0.1	245.89	+4.3	+3.4
Venezuela	(12)	405.45	-1.4	-18.1	1,582.52	-1.4	-18.1
Asia	(657)	236.75	-0.4	-5.1			
China	(20)	68.35	-3.2	-9.9	72.75	-3.2	-10.1
South Korea	(159)	128.27	+0.9	-6.2	128.85	+0.2	-9.1
Philippines	(25)	256.21	+0.8	-14.1	322.42	+0.6	-8.3
Taiwan, China	(93)	138.51	-7.2	-15.8	132.09	-7.0	-18.6
India	(101)	103.18	-2.8	-16.4	115.17	-2.6	-16.3
Indonesia	(42)	89.56	-0.2	-10.2	108.40	-0.2	-9.0
Malaysia	(114)	274.37	+0.7	-2.1	249.69	+0.8	-1.4
Pakistan	(36)	286.32	-2.4	-21.8	400.87	-2.5	-21.6
Sri Lanka	(19)	128.77	-5.7	-25.1	137.29	-5.9	-26.0
Thailand	(68)	359.71	-1.2	-6.2	350.64	-1.2	-8.3
Euro/Mid East	(209)	140.35	+2.8	+18.4			
Greece	(40)	230.66	+2.7	+2.2	351.23	+2.3	-4.5
Hungary	(5)	117.64	+5.0	-22.5	167.46	+4.5	-18.9
Jordan	(8)	163.36	+0.9	+8.9	236.35	+0.9	+8.3
Poland	(16)	489.64	+14.6	+4.3	728.67	+14.5	+0.9
Portugal	(29)	130.29	+2.4	+7.8	130.64	+1.6	-1.4
South Africa	(62)	232.56	+1.1	+3.5	173.44	+1.3	-8.3
Turkey	(44)	192.45	+10.5	+58.1	3,874.70	+10.9	+75.1
Zimbabwe	(5)	223.80	-0.4	-8.5	280.59	+0.1	-6.9
Composite	(1123)	271.69	+3.0	-11.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted [illegible]

In time Bangladesh may well join the band of emerging markets which have captured the interest of the institutional investor, *writes John Pitt.*

One of the world's poorest nations, with an annual per capita income of just $225, the country was opened to foreign investors after the election in 1991 of the prime minister, Mrs Khaleda Zia. Following an economic liberalisation programme, government overspending and inflation have been checked and, with controls on foreign trade reduced, exports have grown by an estimated 20 per cent annually.

The Dhaka stock market, says Kleiman International, an independent analyst of emerging markets, is the only one active at present, although last month the securities and exchange commission announced plans to open a competing exchange in Chittagong by June. This would be fully automated, screen based and with a computerised central depository system. By contrast, Dhaka is a manual exchange.

The Dhaka market climbed by 115 per cent in local currency terms last year, and market capitalisation increased to $1bn, from $453m in 1993. The market's price/earnings ratio, 7.3 at the close of 1993, rose to 10 by the end of last year.

One feature restricting the level of foreign involvement at the moment is a requirement by the SEC of a one year "lock-in" period on IPOs, during which time they may not be traded. In addition, foreign investors are now limited to one-third of the total issuance of any IPO, compared to 80 per cent before the new rules were introduced in February. However, notes Kleiman, this is still greater than in the neighbouring India and Pakistan, where the limit is 25 per cent.

ASIA PACIFIC

Nikkei easier as Hong Kong falls by 2.6%

Tokyo

Share prices lost ground in thin trading, futures leading the cash market down as the failure by the Group of Seven ministers to concoct measures to support the dollar dampened sentiment, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was off 84.05 at 16,826.49 after moving in a narrow range between 16,712.98 and 19,932.08. Volume decreased to 200m shares from 260m. Domestic institutions are expected to be inactive ahead of the "Golden Week" string of holidays which begin on Saturday.

The yen gained ground following disappointment over the G7 meeting in Washington. "The stock market is moving only in response to the yen-dollar rate," said Mr Tom Hill, a strategist at S.G. Warburg, forecasting that volumes and share prices were likely to remain subdued because of the yen's strength.

The Topix index of all first section stocks shed 6.75 to 1,339.55 and the Nikkei 300 eased 0.98 to 246.24. Falls led advances by 731 to 271, with 168 issues unchanged. But in London the ISE/Nikkei 50 index put on 4.93 at 1,102.67.

Investors focused on the listing of NTT Data Communications Systems, a telecoms subsidiary of Nippon Telegraph and Telephone, on the second section. The stock closed at Y1.31m, up from the initial public offering price of Y1.04m.

Some traders had feared that the listing would soak up the market's already meagre liquidity, due to investors liquidating their holdings in other telecom stocks to raise funds for the purchase of NTT Data. Such worries materialised and NTT fell Y19,000 to Y759,000 and DDI declined Y5,000 to Y747,000.

Banks were higher on reports that a rescue plan for Hyogo Bank, a financially troubled regional bank in western Japan, was being negotiated between the Bank of Japan, Industrial Bank of Japan and Sumitomo Bank. The Tokyo and Osaka stock exchanges halted trading in Hyogo, and the bank's president denied the reports after the market closed. Dai-Ichi Kangyo Bank gained Y20 at Y1,690 and Fuji Bank firmed Y30 to Y1,970, but IBJ lost Y10 at Y2,490.

The OSE average receded 116.10 to 18,263.35 in volume of 9.7m shares.

Roundup

Rumours about the failing health of the Chinese leader, Deng Xiaoping, hit a number of markets in the region.

HONG KONG's Hang Seng index dropped 2.6 per cent or 219.91 to 8,285.69 on suggestions, subsequently denied, that Beijing was to issue an important announcement. Turnover swelled to HK$4.2bn from HK$2.3bn. One broker commented that the Deng rumours were being used as an excuse for index futures-linked selling in the cash market.

Property developers led the losers. Cheung Kong fell HK$1.30 to HK$32.90, Henderson Land HK$1.30 to HK$40.50 and Sun Hung Kai Properties HK$1.55 to HK$48.40.

SHANGHAI's hard currency B shares posted a second consecutive record closing low, in reaction to rumours that Deng had died. The index fell 0.371 to 50.302.

KUALA LUMPUR declined 1.7 per cent as foreign investors stepped up selling on concerns over possible capital controls. The composite index lost 16.42 at 958.63, with the market unimpressed by the resounding victory of the ruling National Front in the general election.

SINGAPORE was depressed by Hong Kong's plunge and the failure of Malaysian stocks to climb after the general election. The Straits Times Industrial index dipped 11.04 to 2,063.63, while the UOB OTC index, tracking Malaysian stocks, shed 15.36 to 1,060.42.

SEOUL shaded higher in thin trade after a higher 1995 earnings forecast by Samsung Electronics boosted some blue chips. The composite stock index added 1.96 at 880.73. Samsung Electronics went limit up to Won128,000 in the early afternoon, before easing back to finish at Won123,000.

TAIPEI ended at a 12-month low, investors remaining preoccupied by Deng reports. The weighted index fell 67.91 or 1.2 per cent to 5,667.55 in turnover of T$48.2bn.

Electronics stocks succumbed to profit-taking following recent strength, the subindex losing 2.4 per cent. United Microelectronics shed T$6.50 to T$124 and Wus Printed Circuit T$4.50 to T$58.

SYDNEY rose on strength in the futures market. The All Ordinaries index gained 10.2 at 2,009.3, with turnover reaching A$500m. Brokers said that the expiry of options contracts today encouraged investors to cover positions.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 25 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 24 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (83)	168.42	-0.2	154.72	86.91	118.53	153.99	0.0	3.93	168.82	155.86	88.85	120.23	153.99	180.82	157.95	166.25
Austria (27)	189.38	0.7	173.96	97.72	134.39	134.31	0.4	1.32	188.02	173.36	99.06	133.91	133.82	198.69	167.46	173.77
Belgium (35)	196.17	0.9	180.20	101.23	139.21	135.92	0.6	3.87	194.34	179.18	102.39	138.41	135.05	196.17	181.66	188.36
Brazil (28)	129.61	3.2	119.06	66.88	91.98	219.61	4.0	1.47	125.65	115.85	66.20	89.48	211.27	–	–	–
Canada (102)	135.51	-0.2	124.48	69.93	96.16	133.97	-0.3	2.61	135.84	125.25	71.57	96.74	134.44	140.25	120.54	129.03
Denmark (33)	272.19	1.7	250.04	140.46	193.16	199.13	1.3	1.59	267.74	246.86	141.06	190.66	196.51	275.27	236.61	252.67
Finland (24)	197.51	3.1	181.43	101.92	140.16	175.60	2.7	1.36	191.51	176.57	100.90	136.39	170.91	201.41	133.88	146.47
France (101)	188.17	1.8	172.85	97.10	133.53	142.35	1.3	3.09	184.78	170.37	97.36	131.60	140.48	188.17	157.79	170.40
Germany (58)	154.05	1.9	141.51	79.49	109.32	109.32	1.6	2.13	151.15	139.37	79.64	107.65	107.65	154.61	132.08	140.66
Hong Kong (55)	337.93	-1.5	310.43	174.38	239.81	335.85	-1.4	4.05	343.00	316.25	180.71	244.29	340.55	416.42	277.40	373.74
Ireland (16)	223.51	0.9	205.32	115.34	158.61	191.76	0.6	3.63	221.40	204.13	116.65	157.68	190.64	224.32	180.67	189.58
Italy (68)	71.83	1.4	65.98	37.06	50.97	90.46	0.0	1.69	70.84	65.32	37.32	50.45	90.46	97.78	65.45	92.01
Japan (483)	164.82	2.7	151.40	85.05	116.96	85.06	0.6	0.90	160.51	147.99	84.57	114.31	84.57	170.10	136.95	155.28
Malaysia (97)	492.70	0.3	452.61	254.25	349.65	465.28	0.0	1.73	491.40	453.08	258.90	349.96	465.28	594.76	398.16	497.83
Mexico (18)	1037.31	1.1	952.88	535.28	736.12	6640.41	-1.1	1.64	1026.51	946.46	540.83	731.07	6717.16	2414.12	647.81	1909.39
Netherland (19)	243.79	0.4	223.95	125.80	173.01	170.07	0.1	3.71	242.79	223.86	127.92	172.92	169.86	243.79	194.56	202.26
New Zealand (14)	83.23	0.4	76.46	42.95	59.06	65.48	0.0	4.47	82.91	76.44	43.68	59.05	65.48	83.23	63.45	65.63
Norway (33)	225.33	0.7	206.99	116.28	159.90	188.33	0.3	2.24	223.76	206.31	117.89	159.36	187.67	225.33	177.53	194.74
Singapore (44)	371.82	0.2	341.56	191.87	263.87	238.34	0.0	1.80	371.15	342.21	195.55	264.34	238.43	401.38	313.94	348.12
South Africa (59)	351.13	0.3	322.55	181.19	249.18	277.19	0.4	2.44	350.07	322.77	184.44	249.32	276.17	353.13	242.38	242.36
Spain (38)	137.25	0.6	126.08	70.82	97.40	127.11	0.2	4.47	136.40	125.77	71.87	97.14	126.88	150.21	124.10	140.47
Sweden (46)	248.39	2.2	228.18	128.18	176.28	270.29	1.1	2.13	242.97	224.02	128.01	173.04	267.45	248.14	196.70	213.32
Switzerland (47)	186.98	0.9	171.76	96.49	132.69	130.71	0.3	1.93	185.25	170.80	97.60	131.93	130.35	186.98	149.91	156.33
Thailand (46)	138.44	-0.1	127.17	71.44	98.24	131.64	-0.2	3.23	138.55	127.74	73.00	98.67	131.96	–	–	–
United Kingdom (203)	210.23	0.6	193.12	108.49	149.19	193.12	0.2	4.25	208.98	192.68	110.10	148.84	192.68	210.23	181.11	190.47
USA (510)	209.38	-0.1	192.33	108.04	148.58	209.38	-0.1	2.73	209.67	193.32	110.47	149.32	209.67	209.67	179.72	184.43
Americas (658)	192.02	-0.1	176.39	99.09	136.26	160.97	-0.1	2.70	192.21	177.22	101.27	136.89	161.16	–	–	–
Europe (741)	184.07	1.1	169.09	94.99	130.63	152.24	0.6	3.22	182.02	167.83	95.90	129.64	151.27	184.07	160.59	167.81
Nordic (138)	241.14	2.1	221.51	124.43	171.12	213.98	1.3	1.92	236.22	217.80	124.46	168.23	211.25	241.14	197.70	206.45
Pacific Basin (822)	171.61	2.2	157.65	88.56	121.79	96.21	0.4	1.25	167.91	154.82	88.47	119.58	94.82	176.66	145.93	163.82
Euro-Pacific (1563)	176.70	1.7	162.32	91.18	125.40	116.86	0.5	2.11	173.69	160.14	91.51	123.70	116.37	176.70	154.73	165.33
North America (612)	204.80	-0.1	188.13	105.68	145.34	204.27	-0.1	2.72	205.09	189.10	108.06	146.07	204.58	205.09	176.47	181.00
Europe Ex. UK (538)	165.79	1.4	152.29	85.55	117.65	129.28	0.9	2.65	163.47	150.72	86.13	116.42	128.17	165.79	144.12	151.73
Pacific Ex. Japan (339)	241.53	-0.5	221.87	124.63	171.40	211.79	-0.5	3.30	242.66	223.74	127.85	172.83	212.83	273.18	211.19	247.53
World Ex. US (1770)	176.99	1.7	162.58	91.33	125.60	120.36	0.5	2.12	174.09	160.52	91.72	123.99	119.76	176.99	155.42	166.07
World Ex. UK (2077)	184.21	1.1	169.22	95.06	130.73	141.91	0.3	2.13	182.29	168.07	96.04	129.82	141.52	184.21	163.46	169.29
World Ex. Japan (1797)	200.08	0.3	183.79	103.25	141.99	184.96	0.1	2.93	199.41	183.86	105.06	142.02	184.69	200.08	176.74	181.63
The World Index (2280)	186.51	1.0	171.33	96.25	132.36	146.40	0.3	2.33	184.64	170.24	97.28	131.50	146.00	186.51	165.92	171.17

Markets closed 25/4/95: Australia, Italy, Malaysia and New Zealand. Latest prices were unavailable for this edition.